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# BUSINESS WEEK

BUSINESS  
INDICATOR

McGRAW-HILL  
PUBLISHING  
COMPANY, INC.

**CHINA STANDS ALONE**—Unaided by any of the nations that have a stake in the huge North China market, the Nanking Government resolutely opposes Japan's plan to close the "open door".

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*"Three weeks ago that was a vacant lot!"*

...and vacant lots give executives the jitters when a new plant or plant expansion is needed in a hurry. That's why Truscon is called into action so often. ● Think of it! A complete, permanent Truscon Standard Building... ready for use... in only a few weeks' time! Any type... any size... any arrangement of doors and windows... any type of roof design... *your* particular specifications can be met exactly! ● The cost? Surprisingly low. Any one of Truscon's fifty-seven sales offices will consider your problem and submit complete information, including cost. Write us... *today!*



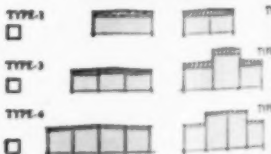
USE THIS FOR PROMPT REPLY  
We are interested in the type of building checked below.

Length.....Width.....Clear Height.....

SERIES-A—pitched roof types



SERIES-B—flat roof types



Name.....

Address.....

City.....State.....

# How Business Buys its Cars

## The Cost Sheet Is King

A TAXI FLEET tests Plymouth...specifies Plymouth. A sales organization checks Plymouth upkeep and running costs...buys Plymouth. That's today's car-news in hundreds of cities all over the country!

What's the big reason?...Economy! Of "All Three" low-priced cars Plymouth costs least to run...and that



Lowest oil bills...and owners report 18 to 24 miles per gallon of gasoline.

takes in more than just gas and oil. It means savings on tires, on valve-grindings, on all items of maintenance. That's why so many business firms are using Plymouths...why Plymouth is known as the car that stands up best.

## Salesmen are Human, too!

TAKE A SALESMAN who's been driving in the restful, Plymouth "chair-height" seat...who has escaped fatigue from bumps and vibration...who's experienced the relaxation of a scientifically "hushed" ride...who has been completely free from driving strain...

Ask him what Plymouth's comfort means..."Better work...more sales!" Ask the man who employs him...and he'll point out the figures in black and white that prove Plymouth is the best car for business.



Greater Comfort. Inches of extra head room...leg room and elbow room.



You Relax—with these huge shock-absorbers!

## Ready to Turn 'em in?

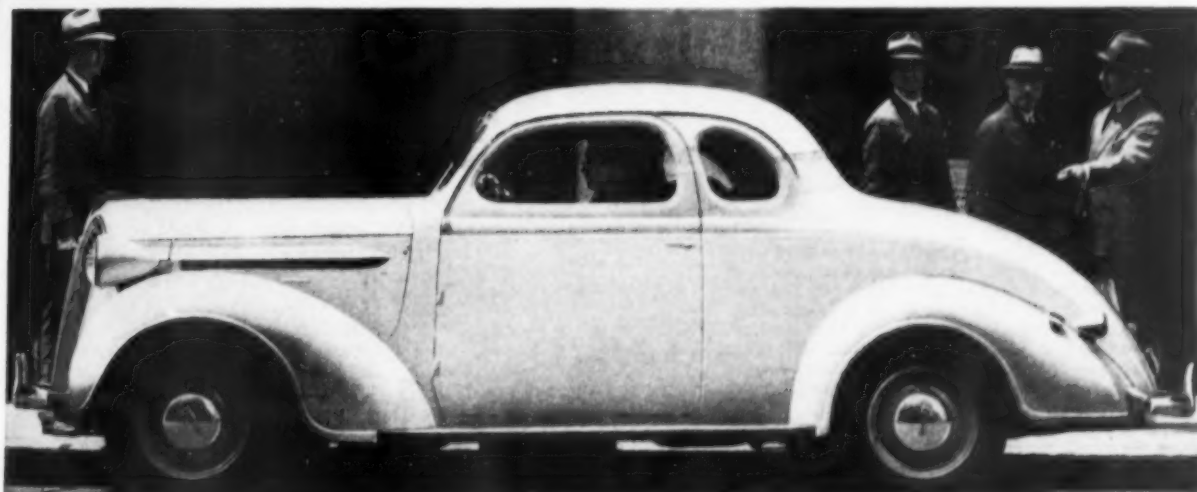
PLYMOUTH's resale value is highest of any low-priced car. Why?...check the reasons: Floating Power engine mountings...all-steel body...double-action hydraulic brakes...X-braced frame...chain-driven camshaft...a new Hypoid rear axle, formerly on high-priced cars only.

They make Plymouth stand up, last longer, stay out of repair shops. And—every mile is easier.

## Something you Can't Laugh Off

PLYMOUTH's business success is a matter of open record...recognized and accepted everywhere. It is therefore a matter of importance to you—to any car buyer.

Worth considering first—this car that proved it's the best buy of "All Three" low-priced cars...because it's the car that stands up best! PLYMOUTH DIVISION OF CHRYSLER CORPORATION, Detroit, Michigan.



**PRICED WITH THE LOWEST**—The Commercial Credit Company has made available—through De Soto, Chrysler and Dodge dealers—very convenient payment terms.

**TUNE IN MAJOR BOWES' AMATEUR HOUR, COLUMBIA NETWORK, THURSDAYS, 9 to 10 P. M., E. D. S. T.**

**The Best Car For Business**



**...The Car that Stands Up Best**





## WORLD'S LOWEST COST WATER COOLER SERVICE

New General Electric Water Coolers—  
cost less to buy, cost less to operate—  
cheaper than old-fashioned methods—  
unmatched for economical service!

*Think of paying mere pennies a day to have cool, delicious drinking water as convenient as your telephone, water as refreshing as from a woodland spring! New General Electric Water Cooler models now make it possible for any office to have modern, sanitary electric water cooler service. Prices are lowest in history, current costs are less than ever, yet G-E performance standards remain unchanged.*

### More Capacity, More Features, for Less Cost

New General Electric office models have greater capacity and include exclusive features that insure dependable service, long life and unmatched operating economy. Phone your nearest General Electric appliance dealer now for complete information or write today for free catalog to General Electric Company, Commercial Refrigeration Division, Section TI-7, Nela Park, Cleveland, Ohio.

### Help Yourself to Health

Drink 6 to 8 glasses of cooled water every day between meals for robust health and top efficiency. Ask your physician!



Bubbler Coolers—  
for city water  
—in all capacities  
for every  
office, store,  
factory or mill  
requirement.

**GENERAL ELECTRIC** Water Coolers

## New Business

PREMIUMS, sales teasers, good will builders come and go. Yesterday it was a full detail of dinner dishes with so many packages of tea. Today it is a pocket calculator for determining "ground speed" and "true air speed" which goes free to each purchaser of a Waco airplane. 50¢ is the price to fliers of competitive craft.

SPEAKING of tea, Great Atlantic & Pacific Tea Co. ("A.&P." to most of mankind) takes a leaf from the dentist's summer appointment book and assigns Wednesday afternoon as half-holiday for all store employees during the super-heated months. Some other retailers do the same. A.&P. tried the idea first in smaller communities, and extended it this week to metropolitan centers.

STILL speaking of tea, which will always be associated with the "mag" which Lipton sought so valiantly and fruitlessly to lift, it should be noted that Vanderbilt's *Ranger* which will race Sopwith's *Endeavour II* for the America Cup, is equipped below deck with mighty, mighty pretty plumbing conveniences turned out by Crane Co., Chicago.

AND then returning for a minute to holidays and vacations, it should also be noted that when Wico Electric Co., West Springfield, Mass., found itself with unexpectedly big orders this month, it offered its employees two weeks of double pay in lieu of their normal two weeks' vacations with pay. No compulsion, but an honestly offered option. Nearly all the boys and girls decided that the extra money looked pretty good to them, and put the orders through.

BAD news for mosquitoes surges forth as it should from New Jersey Agricultural Experiment Station, New Brunswick. The United States and Canada will use 3,000,000 gal. of kerosene-pyrethrum spray on 60,000 acres of well-known mosquito-breeding waters. 2,613,600,000,000 potential biters may never get past the wriggler stage as a result.

NEW ENGLAND COUNCIL is assisting in an intelligent inter-regional advertisement.

BUSINESS WEEK (with which is combined The Magazine of Business) July 24, 1937, No. 412. Published weekly by McGraw-Hill Publishing Company, Inc., 1221 Avenue of the Americas, New York, N. Y. Editorial and executive offices, 1221 Ave. of the Americas, New York, N. Y. James H. McGraw, Jr., President; Harold Ehrlich, Executive Vice-President; James H. McGraw, Jr., Chairman of the Board; Glenn Griswold, Vice-President and Editor; B. R. Putnam, Treasurer; D. C. McGraw, Secretary. \$5.00 per year in U. S. A., possessions, and Canada; \$7.50 per year in all other foreign countries. 20¢ per copy. Entered as second-class matter December 4, 1936 at the post office at Albany, N. Y., under the Act of March 3, 1879. Printed in U. S. A. Copyright 1937 by McGraw-Hill Publishing Company, Inc.



JULY 24, 1937

tising swap whereby Florida Power Corp. and Florida Public Service Co. agree to popularize New England as a summer resort while New England Gas & Electric Association gives a lift to Florida as a winter Mecca. Florida window displays are featuring currently the theme, "Live in Florida, but enjoy your vacation in New England."

If the gods of the upper air can be properly propitiated, they should come through with good scorching weather during the week of Aug. 22-28, to impress the week lastingly upon the minds of the populace as "National Warm Air Heating and Air Conditioning Week." 15,000 dealers in heating and conditioning equipment will appreciate a slice of Olympian cooperation.

It appears that there are scads of obsolete securities hiding about in old trunks and strong boxes. One estimate gives \$100,000,000 as the sum waiting in banks, trust companies, and even the U. S. Treasury for holders of obsolete stocks and bonds. R. M. Smythe, Inc., New York dealer in obsolete and over-the-counter securities, is outfitting its field men with a trailer, wherewith they will carry the gospel of hidden wealth in horseshair trunks to suburban districts, with high hopes of doing an over-the-axle over-the-counter business.

EXECUTIVES with fingers crossed more or less permanently against direct mail advertising should ponder a paragraph in a bulletin of Direct Mail Advertising Association: "In a total of 303 letters addressed to one individual his name was spelled 32 different ways, he was given 54 different combinations of initials, and on 19 different occasions the name appearing on the letter was a totally different one than that shown on the envelope."

To accelerate order handling, according to the editors of *Mill Supplies*, Earle M. Jorgensen Co., Los Angeles, has installed a microphone on each order clerk's desk connected with a loud speaker in the stock room. When a customer phones, "Have you got it?" the order clerk turns to the mike and back to the telephone with a definite answer in fewer seconds than it takes to tell it.

DOWN the Rio Grande Valley, work goes forward on C. L. Ayre's 25,000-acre citrus and vegetable project, known as the Winterhaven and Monta Alto Farms. 85 houses will be built, including a \$30,000 one for Mr. Ayres. Texas Board of Water Engineers has given its blessing to the use of any Rio Grande waters which might otherwise run to the sea; 3,500 acres are already enclosed by irrigation dykes.

# YOUR OFFICE ROBBED!

## 10% of Yearly Payroll Stolen—By NOISE



IT'S happening right under your nose—every day! The "ordinary" noises you take for granted—telephones, typewriters, voices—actually steal 10% of the office work you pay for! Because noise dulls minds, slows up work, causes needless mistakes.

Hundreds of America's leading companies have stopped this waste easily and permanently—just as you can stop it by quieting offices with Acousti-Celotex.

And careful records show such results as 8-10-12% increase in office production! ... 52% reduction in machine operators' errors! ... 29% fewer typing errors! ... even 37% decrease in absences!

In your offices, Acousti-Celotex can be applied over present ceilings at night, without interfering with office routine. It can

be painted or cleaned repeatedly without loss of efficiency. And it soon pays for itself.

Let a Celotex acoustical expert tell you honestly where Acousti-Celotex will save money in your offices, and what it will cost. Mail the coupon now for FREE survey—and free booklet, "NOISE."

### A FEW TYPICAL USERS

Aetna Life Insurance Co.  
Celanese Corp. of America  
Colgate-Palmolive-Peet  
Commercial Investment Trust, Inc.  
General Foods Corp.  
Manufacturers Trust Co.  
Mergenthaler Linotype Co.  
National Distillers Products Corp.  
Pittsburgh Plate Glass Co.  
Shell Union Oil Corp.  
20th Century-Fox Film Corp.  
Union Carbide & Carbon Corp.

## PAINTABLE PERMANENT ACOUSTI-CELOTEX

TRADE MARK REGISTERED

U. S. PATENT OFFICE

Other Celotex Acoustical Products  
CALICEL CALISTONE ABSORBEX VIBRAFRAM (formerly Heerwagen Tile)  
Sales Distributors throughout the World

ACOUSTI-CELOTEX  
SAYS "NOISE" TO NOISEAND ACOUSTI-CELOTEX  
IS PAINTABLE

### THE CELOTEX CORPORATION

919 N. Michigan Avenue, Chicago, Ill.

BW 7-24-37

☐ Please send free copy of "NOISE." ☐ Have a Celotex expert make a free survey and give recommendations and cost of quieting our offices.

Name.....Title.....

Company.....

Address.....

City.....County.....State.....

Engineered  
in tune with  
today

# Trafford Tile

**T**HROUGH the scientific selection and distribution of material, modern engineering succeeds in creating far greater strength and endurance per unit of weight. In Trafford Tile these principles have been skilfully applied in producing a remarkable new siding material for industrial buildings.

Made of weather-resisting, fire-resisting asbestos-cement, Trafford Tile is ideally adapted for permanent and temporary construction alike. Its corrugations are scientifically shaped and spaced for extra rigidity. The result is definite economy, lighter weight, enduring strength. Cost of application is decidedly low. The color is a pleasing gray, and the effect is that of Roman Tiling.

Here then is a structural material for walls embodying the desirable features of older products and offering important new advantages all its own. The engineering staff of Keasbey & Mattison Company will gladly advise you on the many applications of Trafford Tile.

**KEASBEY & MATTISON COMPANY**  
AMBLER, PENNA.



Send for information

KEASBEY & MATTISON COMPANY  
Ambler, Penna.

Please send us detailed information on  
Trafford Tile

Name

Name of Firm

Address

2-1

# Washington Bulletin

WASHINGTON (*Business Week Bureau*)—Having swatted the President in his attempt to pack the Supreme Court and having recovered the sacred right to get public credit for drafting its own legislation instead of being forced to accept the handicraft of the Ben Cohens and the Tom Corcorans, Congress is now in an angelic mood. The President can get practically anything else he insists on. From now on nearly every Democrat is interested in saving Roosevelt's face and his own political skin, seriously endangered for some by desertion of the New Deal.

## Ready to Hurry Home

Congress may now rush to speedy adjournment, hurrying through what is left of the judicial reorganization bill after it is stripped of all attempts to lay hands on the Supreme Court, putting through a wage-hour bill with plenty of leeway, plugging loopholes in the tax law, and rounding off a few other chores. The farm bill, the housing bill, and the sugar bill will probably go over until next session. However, any progress made on such measures during the remainder of the session will not be lost, for nothing changes during a mid-term adjournment. The President will probably get his additional secretaries and possibly one more cabinet place—not two—but most of the government reorganization will be junked or postponed.

## Back Into the Fold

Theme song from now on will be party unity. It is politically essential, not so much from a national party standpoint as for individuals. Democratic senators who have fought the President to the bitter end on the court bill will now cooperate on a salvage program to demonstrate to their constituents that they are really good Administration men and thus head off trouble in the primaries when they come up for re-election.

## Harmony Is Real

Harmony so thick it can be sliced fills the air, and it is not all simulated. A little is. Sen. Pat. Harrison, for example, may be a little sore down underneath, knowing full well that Roosevelt's preference for Sen. Barkley as leader was just enough to beat him. But a tremendous majority, opposed to enlarging the Supreme Court, is relieved that the great menace, as they saw it, is removed. This group includes many who would have voted with the President had they been forced to commit themselves on a roll call.

## CONGRESS COLD TO PLANNING

*National Resources Committee's report on future inventions and their social effects struck a responsive chord in the Sunday supplements and got a big play, which astonished the committee, accustomed to dropping reports into an empty void. Washington sees little chance, however, of appointment of crystal gazers to watch technology unfold. In Congress the report is generally regarded as part of the build-up for government reorganization in which a permanent planning body to keep civilization straightened out occupies a prominent position.*

## Party Government Again

Almost as great is the satisfaction that the regulars are back in the saddle, so far as advising and consulting with the President is concerned. It was Garner, Harrison, Barkley, and Pittman who told the President he must give in on the Supreme Court or take a public rebuff by having the Senate recommit the bill. It was the brain trust advisers who egged the President on to fight again and again when the regulars, standing pat on their principles, knew the whole thing could only mean grief. The prospect now is for more party, less personal government.

## House Particularly Happy

In the House the feeling of relief is almost hysterical. Democratic congressmen, frightened to death that they would have to take a stand on the measure, risking defeat in their primaries if they voted against the President and defeat at the elections if they voted with him, are now willing to do almost anything the President wants, pending a test of his popularity in the 1938 elections.

## Boosts Granary Plan

Rep. Marvin Jones' version of the 1937 farm bill differs considerably in method, but only slightly in principle, from the earlier effort of the American Farm Bureau Federation

sponsored by Sen. Pope and Rep. Flannagan. Jones is less brutal in last-ditch control methods, which are to be adopted only after persuasion and benefit payments fail as production deterrents, and his bill ties in more closely with the existing soil conservation program. But he goes right down the line for the ever-normal granary, which is now the essential ingredient of any farm panacea.

## It Will Cost More Later

Formulated when Congress was economy-conscious, the new farm tenancy act carries only \$85,000,000, but this is the entering wedge for a much larger program. This can readily be accomplished by supplementary legislation, using the initial appropriation as the basis for capital stock, and selling bonds of the newly created Farmers Home Corp. to finance lending operations. The act violates practically every policy laid down by Roosevelt to guide legislation this session: Creates a new agency overlapping Farm Credit Administration; draws employees from outside the civil service; fixes an interest rate of 3%, lower by  $\frac{1}{2}\%$  than the emergency farm mortgage rate, continuance of which was vetoed by the President. In one respect the act conforms to the President's ideas of fiscal administration; this is in its exemption of expenditures from pre-audit.

## Hull Hopeful on Treaties

Despite constantly recurring rumors that the President has cooled toward Sec. Hull—who was once strong enough to force the throwing overboard of Head Brain Truster Ray Moley and later of George Peek, international barter advocate—the State Department is working steadily towards more and better reciprocal trade treaties. Proud of the fair spirit shown by Brazil in plugging loopholes in the Brazilian agreement with the United States, Mr. Hull's bright lads think the much desired British-American trade agreement is almost in sight.

## Hail Anti-Trust "Victory"

Anti-trust drive of the Department of Justice gets a boost by the decision of three judges of the Federal Circuit Court of Appeals in Philadelphia, overruling Judge Gibson of Pittsburgh, who enjoined the government from proceeding with the suit it had filed in New York to dissolve the Aluminum Co. of America because of monopolistic practices. Gibson ruled the government must sue in his Pittsburgh court, which still retained jurisdiction over the 1912 anti-trust suit that resulted in a consent decree against Aluminum. Appeals Court



# 183 MADISON AVENUE OVERCOMES HEATING DIFFICULTIES

**Webster Moderator System Gives  
Complete Satisfaction in  
Large Office Building**

**SAVES \$8,223 IN FOUR YEARS**

**South Wing of Building Formerly  
Hard to Heat Receives Even  
Steam Distribution**

**RENTAL VALUE IS INCREASED**

New York, N. Y.—How modern heating helps to keep an office building filled with well-satisfied tenants has been demonstrated in the 17-story office building at 183 Madison Avenue.

Before installation of the Webster Moderator System, the south wing at 183 Madison Avenue generally was underheated due to difficulties of steam circulation. Webster Metering Orifices in branch mains and radiator supply valves changed all this. Steam is now delivered evenly and rapidly to all radiators regardless of distance from the source of supply.

Looking at heating modernization from the standpoint of increased rental value, Albert J. Courtney, Vice-President of Cross & Brown Co., Managing Agents for the building, says:

"At 183 Madison Avenue, we are serving a group of tenants who demand fine accommodations in a centrally located building. Webster Heating Modernization is one of the improvements we have made to assure a high percentage of building occupancy."

Steam savings for the first four years with the Webster Moderator System have had a cash value of \$8,223.73. The savings year by year, as verified by meter readings, have been as follows:

1932-33 .....	\$916.89
1933-34 .....	2,391.16
1934-35 .....	2,806.66
1935-36 .....	2,109.02

The well-known firm of Campbell & Smiley, Inc., acted as modernization heating contractors. There is approximately 32,000 square feet of installed direct radiation.

These before-and-after facts point the way to maximum comfort and economy in heating new buildings as well as in modernization of existing installations. Consult your architect, engineer or heating contractor. Or address WARREN WEBSTER & CO., Camden, N. J. Pioneers of the Vacuum System of Steam Heating Representatives in 60 principal U.S. Cities—Est. 1888



183 Madison Ave.,  
New York

decides the cases are different. Now the government hopes to go ahead in New York. But the company may delay the trial till winter by an appeal to the Supreme Court.

## Revive Price Control

Miller-Tydings bill, which was slapped down by the President when he was worried by the run-away price trend, has been revived, with apparent assurance that Roosevelt is not opposed to such legislation in principle but feared only that "vertical" resale price maintenance between a producer and his dealers might get out of hand and result in "horizontal" price-fixing—agreements between producers. This has been "fixed" by amendments, okayed by Attorney-General Cummings, which ban horizontal contracts between producers or between dealers.

## R-P Work Stymied

Economy will continue to retard administration of the Robinson-Patman Act by the Federal Trade Commission, which this week issued its first orders under the year-old anti-price-discrimination law. In the chief counsel's office the R-P legal staff has dwindled from 7 to 4, and the bottle-neck here is holding up investigation of complaints by a staff badly overloaded with other branches of FTC work. The commission finally won a larger appropriation this year, but White House instructions to withhold 10% of appropriations prohibit the filling of any vacancies.

## Worried About Auto Probe

Automobile manufacturers, mildly annoyed by the recent slap at some of their distribution practices, are worried lest the snowball grow into a general Federal Trade Commission investigation of factory-dealer relationships. Recent complaints against representations concerning the 6% time payment plan, f.o.b. prices, and shipment of attached and unattached extras not ordered by dealers all are straws in the wind. A resolution directing such an investigation has already been introduced in Congress, backed by dealers, soon to be faced with price advances.

## Fight TVA Contract

Public power cult, headed by Rep. Rankin, went to the mat with TVA's unofficial head man, D. E. Lilienthal, to find out why the yardstick is missing from the proposed contract with the Arkansas Power & Light Co. The result of much conferring was a challenge that the contract would be fought to the bitter end, together with a demand that TVA transmission lines be greatly extended to tie in more customers. The belief is that on a showdown such extension will

be the price of acquiescence in the contract.

## Grand Coulee Uncertainty

Bids for completion of Grand Coulee dam on the Columbia river that will put Colorado river's Boulder dam in the shade will be invited in October, but the \$60,000,000 job (exclusive of material cost) may be held up by uncertainty over labor cost. Anticipating that bids will run higher than authorized funds, reclamation officials are trying to write a clause that will somewhat protect contractors from advancing wage rates.

## Proprietaries Aren't Worried

And now there is another "new" food and drug bill sponsored by Rep. Chapman. Although forced to accept defeat at the hands of the majority which endorsed the Lea bill placing advertising control in the Federal Trade Commission, the Chapman contingent will fight for a bill that strengthens the present law with respect to misbranding and adulteration, but proprietary manufacturers apparently aren't much worried.

## Freight Ruling in September

No decision by the Interstate Commerce Commission is likely before September on the railroads' case for freight rate increases, roughly figured at \$85,000,000. The commission is awaiting the outcome of wage negotiations and meantime is watching carloadings. If both run against the railroads, they will get part of what they ask for. If not, chances are poor.

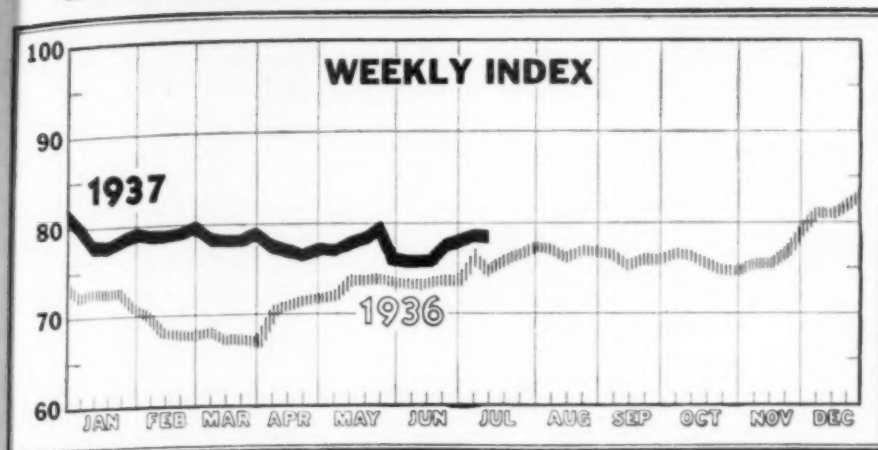
## Japan and Scrap Exports

There's nothing but speculative talk of invoking the Neutrality Act in the Sino-Japanese situation, but wrangling over export licensing of scrap iron gets hot in Congress as exports to Japan push the Panama canal's Pacific-bound traffic to an all-time high. In three months, 105 cargoes of scrap from Atlantic and Gulf ports have been locked through the canal. All but one were bound for Japan.

## A Leak in the Treasury?

Charges in the British parliament that recent American buying of gold shares in London was due to information that improperly became available in Washington, gives substance to the persistent rumor of a leak high up in the Treasury. In this department Sec. Morgenthau forbids subordinates to give information to newspapermen. Departments and agencies which allow free contact between responsible officials and responsible members of the press aren't troubled about the possibility of advance information leaking out for selfish purposes.

# BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



## The Figures

Latest Week	*79.1
Preceding Week	†79.3
Month Ago	76.4
Year Ago	76.6
Average 1932-36	65.3

### PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
*Steel Ingot Operation (% of capacity).....	82.5	82.7	78.0	70.9	42.8
*Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis)...	\$12,249	\$11,974	\$10,478	\$9,274	\$5,709
Engineering Constr. Awards (Eng. News-Rec., daily av. in thousands, 4-wk. basis)	\$9,244	\$12,932	\$11,930	\$8,348	\$5,051
*Bituminous Coal (daily average, 1,000 tons).....	1,284	†1,206	1,166	1,138	946
*Electric Power (million kw.-hr.).....	2,293	2,096	2,214	2,100	1,724

### TRADE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Carloadings (daily average, 1,000 cars).....	136	134	126	121	102
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	82	82	80	75	67
*Check Payments (outside N. Y. City, millions).....	\$4,596	\$4,403	\$4,828	\$4,215	\$3,454
*Money in Circulation (Wednesday series, millions).....	\$6,457	\$6,524	\$6,415	\$6,190	\$5,647

### PRICES (Average for the week)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.25	\$1.22	\$1.24	\$1.11	\$0.89
Cotton (middling, New York, lb.).....	12.45¢	12.93¢	12.55¢	13.23¢	11.19¢
Iron and Steel (Steel, composite, ton).....	\$40.04	†\$39.91	\$39.80	\$33.49	\$31.38
Copper (electrolytic, Connecticut Valley basis, lb.).....	14.00¢	14.00¢	14.00¢	9.50¢	8.148¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100).....	208.6	208.3	200.1	177.6	142.6

### FINANCE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Bond Yields (Standard Statistics, average 45 bonds).....	4.44%	4.44%	4.45%	4.34%	5.14%
Call Loans, Renewal Rate, N. Y. Stock Exchange (daily average)...	1.00%	1.00%	1.00%	1.00%	1.05%
Prime Commercial Paper, 4-6 Months, N. Y. City (prevailing rate).....	1.00%	1.00%	1.00%	.75%	1.33%
Business Failures (Dun and Bradstreet, number).....	152	108	166	136	306

### BANKING (Millions of dollars)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1932-36
Total Federal Reserve Credit Outstanding (Wednesday series).....	\$2,585	\$2,578	\$2,583	\$2,478	\$2,412
Excess Reserves, all member banks (Wednesday series).....	\$960	\$880	\$752	\$2,923	\$1,541
Total Loans and Investments, reporting member banks.....	\$22,163	\$22,217	\$22,573	\$22,514	\$19,512
Commercial and Agricultural Loans, reporting member banks.....	\$4,407	\$4,333	\$4,326	§	§
Security Loans, reporting member banks.....	\$2,063	\$2,138	\$2,086	§	§
U. S. Gov't. and Gov't. Guaranteed Obligations Held, reporting member banks.	\$9,408	\$9,438	\$9,721	\$10,764	§
Other Securities Held, reporting member banks.....	\$3,041	\$3,045	\$3,111	\$3,338	§

\*Factor in Business Week Index. \* Preliminary, Week Ended July 17. † Revised. § New Series. § Not Available.

These monthly averages are merely simple averages of each month's weekly figures of Business Week's index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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### *A Business, too, can be an Amnesia Victim*

YES, a business can lose its memory, too. If you would like to prove it for yourself, just look up your files for one full working day. See for yourself how dependent you are on having the papers they contain, instantly available.

Too often business papers are hidden, not filed—in fact, might as well be lost. For example, surveys show that more than 90% of files are incorrectly guided; more than 75% are wasteful of space; more than 50% cost too much to operate and do not produce. Yet Remington Rand's organization is trained to uncover these hidden

sources of loss without upset to your business routine—trained to help your files produce what you want *when you want it*, and make them more than pay their way.

#### **44 YEARS' FILING EXPERIENCE FREE**

If your system hasn't had a thorough overhauling within the past 3 years it needs it badly. Phone Remington Rand. Our representative will make a complete study of your present requirements . . . will take only ten minutes of your time to report his findings. If you prefer, mail the coupon.

**44 YEARS'  
EXPERIENCE  
FREE**

*OK..it's from*  
**Remington Rand**

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# The Business Outlook

BUSINESS sentiment is obviously improved now. The President's court bill has taken a trimming. Though all is not exactly quiet on the labor front, it is definitely better than it was. Railroads are the sole large industry in the throes of wage negotiations at the moment, and though they will get by without a strike, they will probably achieve nothing better than a compromise on the wage issue. Foreign trade prospects in Brazil have been brightened by the gold agreement just concluded, which at the same time gives us some use for our gold hoard.

## Securities and Metals

Security prices are still pushing upward, suggesting that financial districts have already discounted the summer lull and are looking forward to brisk business activity in the fall. Carnegie-Illinois has reaffirmed prices on most steel products for fourth-quarter delivery, removing any doubts of consumers on this score. Ore traffic on the Great Lakes is breaking all records this summer. Even obsolete crafts are being reconditioned for service.

## More Oil Production

The oil country is pushing up production to new peaks on the strength of exceptionally heavy demand for gasoline from the motoring public. Rumors of price advances for East Texas crude are cropping up. Also announced this week was the government's \$5,000,000 program to improve air navigation, which will involve substantial purchases of radio equipment and other aids to navigation.

## Cotton Mills Slacken

Following a brisk first half, when cotton mill activity broke all previous records, mills are now easing up production in the face of shrinking buying. However, the summer bottom in mill activity has probably been reached.

## Silk Deliveries Up

Silk manufacturers and retail buyers who met this week to study fall prospects for silk fabrics forecast a return to more luxurious cloths and therefore an increase in the use of raw silk. First six months' silk deliveries ran 14% ahead of comparable months of 1936. Next year's tropical worsted opened this week with prices 25¢-30¢ a yd. higher than a year ago. Buyers are voicing protests, fearing that the good start made this summer in making the male population more conscious of the comforts of cool

## FARM LABOR SHORTAGE

*With bumper crops in the making, farmers are having their difficulties in getting adequate help for harvesting. Though offering from 12% to 15% more wages than a year ago, the supply of farm labor on July 1 was less than demand, creating the lowest supply-demand ratio recorded since December, 1923. In only 11 states was the supply of labor equal to or greater than the demand for it.*

clothing will be wasted if prices are boosted.

## Machine-Tool Orders

New orders for the machine-tool industry have been slipping since the abnormal peak reached in April, but the volume booked last month is still substantial. Foreign business rose to 28% of the total volume booked last month and accounted for 22% of all orders during the first half of 1937. All orders in the industry averaged 80% higher than in the first six months of 1936.

## Boom in Fans

Warm weather has been a boon to the fan industry. Sales this year are expected to top the 1929 volume. Even higher-priced fans are finding a market, and the growing interest in rubber blade fans suggests that these will constitute about half the sales next season. Electric refrigerator sales by manufacturers reached their peak in March, when threat of price advances sent dealers to cover. However, the high levels maintained since March indicate that public buying has not petered out. The fact that retailers of major electrical appliances are likely to get behind the shorter credit-terms drive initiated by automobile finance companies should help near-term selling opportunities.

## Record Rubber Consumption

Rubber consumed by domestic mills reached a new all-time high during the first half of 1937, chiefly because tire producers stepped up production sharply this spring, building up a heavy backlog as a protection against

interruptions by possible labor difficulties. Another reason is that the mechanical division of the rubber industry has been making rapid progress. Though July and August will see some slowing down in consumption, particularly in tire plants, the year is expected to set another peak in rubber consumption.

## Big Gains for Advertising

Advertising is reaping the benefits of better business volume, besides helping to make all business better. Magazine advertising last month was the best in any June since 1930. The first half of 1937 witnessed close to a 13% improvement in this division, compared with the same period in 1936. Farm paper advertising likewise stepped ahead during the second quarter, the six months' gain over 1936 being 9%. Newspaper advertising was higher by 7% for the same period.

## Near Telephone Peak

Telephone installations have been rising with business recovery, the Bell System having installed 529,000 in the first half of 1937 compared with 374,000 in the same period of 1936. This substantial gain still leaves the total number of phones in service below the 1930 peaks, but at the current rate of installations that peak level should be reached by the end of 1937. The number of toll and long-distance calls this year was up 8% over the first half of 1936.

## Meat Consumers Resist

The meat industry reports that despite the rise in prices this year, the public in the first half consumed 10% more pork and 5% more lamb and mutton than in the first half of 1936. But beef and veal consumption was 2% less. This works out to an overall gain of 3%. During recent weeks, however, retailers have been reporting consumer resistance to high meat prices. This augurs none too well for retailers in the fall, since the supplies expected to be available from this fall's slaughter are going to be smaller than a year ago. Chances of any price cuts, therefore, are slim unless consumers start a boycott.

## Selling to the Poor

Consciousness of the size of the low-income group in the United States is growing. The home-building trade is endeavoring to cut the garment to fit the cloth. Now the motor industry calls attention to the fact that over the past 10 years, used-car sales have exceeded new car sales every year. About half the automobiles registered are believed to be in the hands of families earning between \$20 and \$30 a week.

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Baltimore-New York . . . . .	.75	.45
Boston-Philadelphia . . . . .	1.00	.60
Chicago-Omaha . . . . .	1.40	.85
Denver-Detroit . . . . .	3.25	1.95
Atlanta-Los Angeles . . . . .	5.25	3.50



JULY 24, 1937

## At Last: Some Light on R-P Law

**Trade Commission's enforcement policy is indicated in dismissals of Kraft and Ward-and-Bird cases, and in decision against Biddle Purchasing Co.**

AFTER fumbling around in the dark of conflicting legal opinions for one year and one month, business this week was grateful for the little light which the Federal Trade Commission on Saturday, July 17, shed at last upon the Robinson-Patman law—probably the finest bit of legislative obscurantism ever to come out of Washington.

Though the commission's disposal of four of the first actions brought under the anti-price-discrimination law does not classify as a flood-lighting job, it does highlight some of the things the commission thinks business can and can't do. Thus the FTC action circumscribes an area within which business is reasonably safe from prosecution. Those safety limits are probably much more confining than they will be after the courts have their ultimate say, but for the time being business is glad enough to know where it can stand and catch its breath.

### Decision Seen in Advance

Actually the uncertainty was never quite so acute as curbstone critics made it out to be. To dispassionate observers it appeared months ago (*BW*—Nov 21 '36, p14; Feb 27 '37, p21) that FTC's cases against the Kraft-Phenix Cheese Corp. and collectively against Montgomery Ward & Co., Bird & Son, Inc., and Bird Floor Covering Sales Corp. rested "on insecure premises," and that the complained-of discounts in both actions were surely legal under the Robinson-Patman act.

The dismissal of these complaints is more significant of the commission's enforcement policy than the issuance of the cease-and-desist orders in the other two cases decided last week. The decree against the Hollywood Hat Co. had been expected since the company months ago admitted all the material charges. It was accused of violating R-P by selling suede and velour hats to a large syndicate customer at prices averaging about 15% less than those to small buyers. It was also charged with substituting cheaper hats than those ordered, in violation of the Federal Trade Commission act. No appeal will be taken from the decision.

The anticipated cease-and-desist order entered against the Biddle Purchasing Co., together with six buyers and seven

sellers who use its services (*BW*—Jul 3 '37, p15), is a horse of a different color, for Biddle is certain to fight its case vigorously up to the Supreme Court, with more than a fair chance of winning.

The commission, incidentally, will not have its whole heart in defending its charge of illegal brokerage diversion,



International

**PARTY HARMONIZER**—That's the job of the new Senate leader, Alben Barkley, as he sets about saving face for the President who lost the court fight, and easing return to the fold of senators who won.

for among those who profit from the Biddle Co.'s buying and price-reporting services are many small wholesale grocers who campaigned to put the Robinson-Patman law on the books and upon whose continued agitation the commission is dependent for enforcement funds. On the other hand, those old-line food brokers who bankrolled the fight for the Patman bill, are hungry for Biddle's scalp, and so FTC is caught between two pressure groups, both of which it would like to satisfy.

The trade regards the commission's action in kicking the Biddle case upstairs to the Circuit Court of Appeals as simply a sort of "punt-pass-and-pray" proposition, dictated not so much by

legal logic as by sheer expediency. It had to have some epochal "conviction" to justify its new \$450,000 appropriation for R-P enforcement.

For this reason the trade is not much worried about the strict construction which the FTC order seeks to place upon Section 2 (c) of the R-P act forbidding the payment of any commission "except for services rendered" to any buyer or agent who "is subject to the direct or indirect control" of any person other than the seller.

### Dismissals More Significant

If the Hollywood Hat and Biddle decisions are somewhat lacking in significance, the commission's statements in dismissing the Kraft and Montgomery Ward actions point some really valuable morals. Generally, both of them indicate that the commission intends to calibrate the rule of reason with cost accounting figures.

Anticipating this insistence upon cost data, attorneys for the Ward and Bird interests presented a detailed analysis, prepared by Price, Waterhouse and corroborated by the commission's accountants, showing that Bird's cost of selling floor coverings to Ward was only 18.6% of sales while the cost of selling ordinary retailers was 47.1%. The differential in the cost of servicing the two types of accounts was shown to be 28%, whereas the complained-of discounts which Ward received ranged between 14% and 18%.

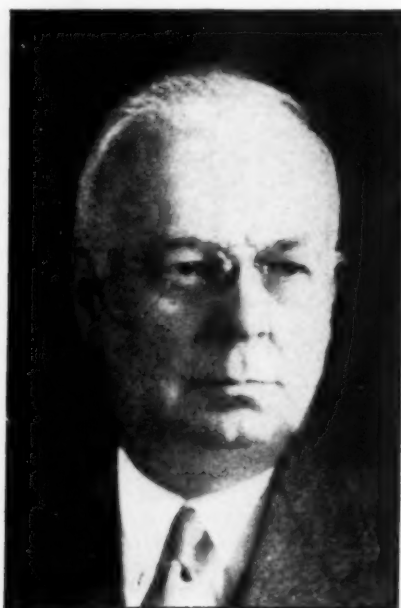
Hence it was convincingly shown that no more than "due allowance for differences in the cost of manufacture, sale, or delivery" had been made by Bird in favor of Ward. Factors weighed by Price, Waterhouse in determining Bird's savings on Ward business included lower advertising costs, lower sales costs as measured in the amount of time Bird salesmen devoted to calling on the trade, and the total absence of expense for branch warehousing, merchandising service, and credit sales.

### Consider the Circumstances

Although the cost analysis was the controlling consideration in its dismissal of the case, the commission also took cognizance of the fact that the alleged discriminations occurred only during the first four months after passage of the law when the Bird Co. was still changing over from a policy of selling the retail trade direct to a policy of selling through jobbers.

The big mass distributors are elated by the commission's findings with respect to the costs of selling big and little accounts. They assert that such





Harris &amp; Ewing

**FIRST TO COURT WITH R-P**—In appealing the cease-and-desist order against Biddle Purchasing Co., Adrien F. Busick of Davies, Richberg, Beebe, Busick & Richardson will be the first attorney to seek judicial clarification of the price law.

data may well open the road to even bigger discounts than they obtained prior to passage of the R-P law. And they are further cheered by the commission's recognition that "the act does not purport to interfere with the right of a seller to select his customers." This observation was made in commenting on the legitimacy of the Bird plan to cut off all direct retail accounts. It is generally interpreted as meaning that as long as combination in restraint of trade cannot be proved, the commission will not clamp down on suppliers who seek to sidestep the possibility of discrimination by refusing to sell small retailers and who deal exclusively with the big buyers on a flat price basis. The trend toward these selling techniques is vital to chains for their private brands.

#### Lessons from Kraft Case

Dismissal of the complaint against the Kraft-Phenix Cheese Corp. is especially significant in three respects. (1) In disallowing Kraft's argument that it was not subject to the R-P law because its selling operations were conducted on a purely intrastate basis through sales subsidiaries, the commission indicated that it was going to stretch the interstate commerce clause to the breaking point in order to keep check on the buying and selling operations of America's two million business establishments. (2) The commission established good faith as a primary standard in determining the legality of sales practices; it credited Kraft with an honest effort to establish discounts which would be generally

available to all buyers. (3) It provided in negative fashion some idea of what is meant by the provision outlawing discriminations "when their effect may be substantially to lessen competition or to tend to create a monopoly . . . or to injure, destroy, or prevent competition."

The possibility that Kraft's discounts lessened competition among cheese manufacturers was dismissed with the observation that the use of similar discounts is prevalent throughout the industry and that Kraft's products, even when sold with maximum discounts, are usually higher-priced than those of its competitors. However, the commission focused more sharply on the effects of the discounts on the retail trade.

The 5% discount on a single purchase of \$5 worth of packaged cheese and salad products is okayed because of the company policy to exchange fresh goods for deteriorated products. Under these conditions, the commission maintained that practically any dealer could get the full discount, "even though an

appreciable number do not." Furthermore, it observed that variations in the price of cheese far exceed the  $\frac{1}{4}$  of a cent a package which the maximum discount might occasion, and it concluded that competitive conditions other than receipt of the discount—i.e., character of the store, buying power of customers, importance of the cheese trade, proximity of competition—governed the price of cheese. Finally it exonerated the discount policy because "the prompt margins of retailers who receive no discount is apparently adequate."

The 5% discount to group buyers purchasing \$100 of products a week is okayed on similar grounds and for the additional reason that it reduces rather than increases disparities in the purchase price, by making discounts available even to those whose volume would not ordinarily be sufficient to command a discount. Discounts on loaf cheese, ranging from 1¢ a lb. for purchases of 30 lb. up to 2½¢ on purchases of 750 lb., the commission found justified.

## How the R-P Test Cases Stand

### Complaints Dismissed

**Procon Grocery Service Co.** Dismissed May 21, when 11 member chains, accused of illegal brokerage collections, dissolved the company.

**Montgomery Ward & Co.—Bird & Son, Inc.** Dismissed July 17, on proof that 14% to 18% discounts to mail order house did not violate Sec. 2(a).

**Kraft-Phenix Cheese Co.** Dismissed on proof that the quantity discount schedule was not discriminatory within the meaning of Sec. 2(a).

### Cease-and-Desist Orders Entered

**Biddle Purchasing Co.** Collection and diversion of brokerage commissions found illegal under Sec. 2(c) because of failure to establish fact of services rendered sellers. Case will be appealed.

**Hollywood Hat Co.** Preferential discount of 15% to large buyer adjudged violation of Sec. 2(a). No appeal planned.

### Complaints Filed

**Shefford Cheese Co.** Will probably be dismissed on precedent of Kraft action. Discount schedules further justified under Sec. 2(b), approving prices made to meet competition.

**Great Atlantic & Pacific Tea Co.** Hearings just concluded. Company accused of illegal brokerage collections in violation of Sec. 2(c).

**Oliver Bros.** Charges of diverting brokerage have been preferred and the facts admitted. Further hearings held up pending appeal on similar Biddle case.

**Reeves, Parvin & Co.** Scheduled for hearing soon, the complaint charges illegal brokerage collections in violation of Sec. 2(c).

**Standard Brands, Inc.** Testimony completed. Discounts, ranging up to 44% on purchases of yeast, are said to violate Sec. 2(a).

**Anheuser-Busch, Inc.** Decision will depend on commission's findings in Standard Brands case on same set of facts.

**United States Quarry Tile Co.** Giving wholesalers a 15% discount from prices quoted contractors alleged in violation of Sec. 2(a). Decision will indicate legitimacy of discounts based on customer classification. Hearings under way.

**Cosmetic companies.** Various charges of violating Sections 2(a), (d), and (e) as well as the Trade Commission Act are made in the complaints but all are aimed at the system of paying "push money" to retail clerks, furnishing demonstrators, and granting discounts ranging above 40%. **Bourjois, Hudnut, Elmo, and Primrose House** have submitted stipulations as to the facts, part of which are acceptable to FTC. Remainder of record will be developed in hearings. Stipulations sought from **Charles of the Ritz** and **Elizabeth Arden**.

**Anti-trust cases against Christmas Club, Cast Iron Soil Pipe Association, Window Glass Manufacturers Association, Gold Ball Manufacturers Association, and Cement Institute.** In all these complaints brought under various anti-trust acts, violation of Sec. 2(a) is alleged. Hearings not yet begun.

# Urge U.S. Planning Board

**Report on technological trends suggests creation of a permanent body to help foresee and cushion the social and industrial shocks of major inventions.**

LONG-DISTANCE planning to cushion the shock of major inventions on labor, capital, and society gets a powerful verbal boost in the 450,000-word report of the President's National Resources Committee released July 17. Points stressed are: (a) approach of revolutionary technical changes can be seen long before their full force is felt; (b) foresight can find new places for threatened investments and jobs; (c) a federal body cooperating with other planning agencies should be established to chart probable trends for the guidance of government and business.

Committee members hope the report will convince business executives and the nation of certain inevitabilities. There never was and never will be such a thing as stability. Scientific progress creates a permanent condition in which change is the one constant factor. The natural instinct to fight change should be discarded. Invincible advances should be accepted, their effects determined as precisely as possible, shifts made to capitalize their benefits and mitigate the periods of readjustment.

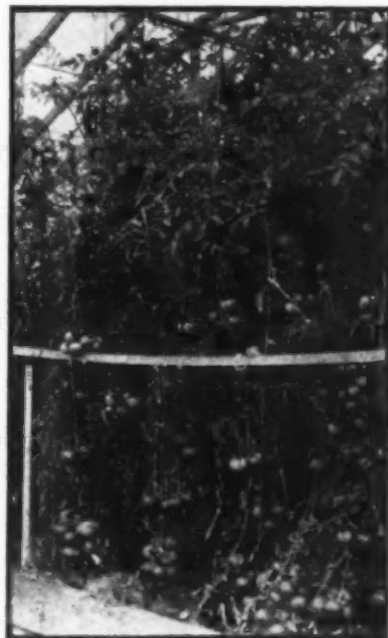
## Calls for Permanent Board

The report should carry great weight in New Deal strategy to prevent future depressions. The work is called, "Technological Trends and Their Social Implications." It is the product of a subcommittee on technology to the National Resources Committee. A remarkable job was done by William F. Ogburn, professor of political science, University of Chicago, who directed the research. The National Resources Committee carried forward the work begun by President Hoover's Research Committee on Social Trends, which study was also managed by Prof. Ogburn.

President Roosevelt's governmental reorganization plan (on the "ought" legislation schedule) calls for a permanent national planning board. A strong argument in support of such a body is provided by the technological report. It backs up recommendations of a permanent policy for planned public works which the National Resources Committee submitted last spring.

The present report points out that all the great inventions (steam engine, electricity, automobile, airplane, radio, what have you) were slow in realization, hence that their directions and damages to displaced industries could have been forecast. Plea for such prevision is the theme of the survey. It stresses certain developments now appearing which government and business

are advised to evaluate. They include: (1) The mechanical cotton picker, imperfect at present but sure to become practical, which will take jobs from millions in the South; (2) artificial cotton and wool, which may upset the natural cotton and wool industries; (3) air-conditioning, which may stimulate



TRAY AGRICULTURE is one of the recent developments which are likely to bring economic changes. Above, the kind of tomato plants which result from the scientific use of liquid chemical nutrients.

the growth of industries in the South; (4) the photo-electric cell, which can take over certain machine control operations from human labor; (5) pre-fabricated houses, which may disrupt present building trades; (6) tray agriculture, which multiplies plant productivity by chemical feeding of the roots; (7) television, which will change the amusement industries and afford propagandists a powerful new weapon; (8) gasoline from coal, something for the petroleum industry to watch; (9) steep-flight aircraft, which by landing almost anywhere will bring changes in population distribution.

The report indulges in some further prophesying. Increased use of aircraft will weaken political boundaries and aid some criminal activities, especially the smuggling in of aliens which may result in legislation requiring identification cards for foreigners. Automobile trans-

port will further urbanize rural districts. Ocean ships will be made safer by inventions for fire protection and fog navigation. Speed of transportation will strengthen national, political, and business organizations, will weaken state and local groups, change habits of thought.

Some of the report's conclusions are: While technological unemployment is the result of many new inventions, there is compensation in the new jobs created by the invention.

More efficient production techniques and inventions are only part of the unemployment problem. Others are population growth and changes in the employment percentages of the service industries. Thus, it is estimated that production for 1937 will have to be increased about 20% over 1929 to have as little unemployment as then.

There usually is opportunity to anticipate the impact of inventions. The sequence is: faint beginnings, development, diffusion, social influence—all of which require time.

Lack of precise knowledge in planning for scientific progress is not as difficult to overcome as are inertia, prejudice, lack of concerted action.

Better accounting methods and greater appreciation of the rate of intentional development will cause old equipment to be scrapped quicker, and will help the spread of improved capital goods.

Studies of the few very important inventions on the horizon is recommended for the planning agencies suggested or by existing planning boards.

A joint government committee should be formed to watch and report on technological unemployment. It is suggested that it represent the Labor Department, Commerce Department, Agriculture Department, Bureau of Mines, Interstate Commerce Commission, Social Security Board, Works Progress Administration.

## Continuous Study Needed

The government is advised to develop various agencies for continuous study of technology and applied science. Science committees in each department would furnish reports to a National Resources Board for distribution among state and local planning boards and to the public.

Because of its influence on scientific progress, a review of the national patent system by a group of scientists is suggested.

The "one great need" is said to be a permanent over-all federal planning board. It would become the coordinator for the many planning boards, of which there are now 47 state boards, 400 county boards, 1,100 city boards. The major recommendation is for the creation of a National Resources Board, as suggested by the President's Committee on Administrative Management last January.

## Japan Has Missed Big Chance

**Six years ago she might have tied Russia's hands by seizing Vladivostok. Instead she struck at Manchuria; now her possible gains are limited.**

WHAT is happening on the flat dusty plains around Peiping this week will not greatly alter the trend of developments which started six years ago in Mukden when a bomb blew up a section of Japan's South Manchuria Railway track.

Japan developed some inflated plans for the complete domination of all China right after that incident, but happenings in the last two years have caused Tokyo to modify these earlier dreams. The Soviet Union, Great Britain, the United States and—most of all—China have caused Tokyo to move more cautiously.

### Nippon's Economic Expansion

Japan "grew up" during the world economic depression. When business was going badly in almost all of the other great industrial nations, Nippon was becoming the world's leading exporter of cotton piece goods, the major consumer of raw cotton, the leading rayon producing nation, was building one of the largest merchant fleets in the world and setting the pace for cargo carriers the world over. Japanese bicycles were supplanting other models in Oriental markets, and the bazaar trade of the East Indies came under the aggressive Japanese traders.

The "Mukden incident," in September, 1931, was the first military move

by Japan to complement the trade expansion program. Tokyo had become alarmed over the rapid development of Siberian Russia under the various Five-Year Plans of the Soviet government. As early as 1928, it had become evident that Moscow realized the value of the resources of Russia in Asia, and the strategic importance of building up a tremendous producing region in this area which was remote from European attack.

A part of Russia's Siberian program included the modernization and fortification of Vladivostok, which was no more than 700 miles by air from Tokyo and the heart of industrial Japan.

Looking back now, it probably appears to Tokyo that an attack on Russia's tongue of land which stretches threateningly down to the very border of Korea would have been successful, and might have removed the immediate threat of a well equipped air and naval base in Japan's backyard. At the time, it seemed wiser strategy to strike at Manchuria, build up a buffer state, and gain political control over a region in which the Nipponese had made their largest foreign investments. By the time they had separated Manchuria, Jehol, and Chahar from China, the Soviet had become too formidable for Japan to risk a quarrel.

There was no real time lapse be-

tween the Japanese aggression in Manchuria and the shift into what is generally called "North China." China's Great Wall is the nearest thing to a "natural" boundary between Manchuria and "North China," but the wall, after all, isn't more than a crumbling mass in many places.

Japanese troops overran the region immediately south of the wall, threatened to absorb the five rich provinces of which Tientsin and Peiping are the business centers, and finally maneuvered to set up an autonomous state which would be completely dominated by Japanese advisers.

The maneuver was only partly successful. A small autonomous region was created, but it did not include the two great cities of the north in which so many foreign nations had important investments and from which they directed their sales to this populous region. The rest of the area remained loyal to the Chinese government, and Chinese troops last year routed Japanese forces which were attempting to fight their way west along the borders of Soviet-controlled Outer Mongolia.

### Thrust at South China

Japan's next important thrust at China came in the central and southern regions. This grew out of the Shanghai fighting which had followed the successful Mukden campaign and had accomplished little more for Japan than the right to increase the Japanese-controlled region and thus to enlarge the garrison to protect it.

But in the five years following that siege, Japan landed troops as far inland as Hankow, and as far south as the Chinese mainland opposite Hainan island on the pretext that they were necessary to maintain order and protect Japanese nationals.

The most important phase of this particular penetration, and the only part which has permanently advanced Japan's sphere of influence in a definite area in China south of the Yangtze, is the Japanese penetration around Amoy on the Chinese mainland opposite Nippon's southern outpost—Formosa. The smuggling system which helped to undermine Chinese control around Tientsin is working the same havoc in this province in southern China.

### Drive at Height a Year Ago

Japan's southward drive reached its greatest momentum a year ago. Then it was popularly declared that the navy, jealous of the army's accomplishments in Manchukuo and North China, was determined to have its day. It got considerable backing from Japanese business which saw in the mass markets of the South Seas quick outlets for the sale of Nippon's surplus of manufactured goods.

Since then, half a dozen significant



Stratton & Stratton

**CHINA BUCKS UP**—Nearly two months ago, Tokyo quietly stopped the flow of Japanese investment capital into North China. Officials declared this was necessary because there was a shortage of foreign exchange (Japan's raw materials are costing more, and the arms program is requiring huge imports of copper, iron, machinery). Outsiders believe that the threat from China's rapidly improving army influenced the decision. These well equipped Chinese soldiers are barracked near Peiping.



Thwarted by Russia in the north and by Western colonial powers in the south, Japan is scheming for complete control over "North China" both for its raw materials and for its ready-made mass market.

*Small Japanese and Soviet forces recently fought here over possession of two small sandy islands in the Amur; Soviets withdrew to their untested shore boundary*

## OUTER MONGOLIA

A

The British are making large new investments here- in Railroads, Steel mills, Mines

*Tokyo maintains fortified area here to protect 30,000 Nationals, growing investments*

Formosa has been made Japan's southern military and naval base, is being heavily fortified

British and Chinese capital recently commenced cooperative economic exploitation and development of this Island

Talk has been revived of making this a major naval base, to cooperate with British base at Singapore, Hongkong

### LEGEND

-  Japanese  
 Russian  
 British  
 Dutch  
 French  
 "North China" trouble area

© BUSINESS WEEK

significant

developments have turned back that drive. The first of these brakes to the southward drive was the revelation that the British have for more than a year been fortifying Hongkong on a scale likely to make it eventually as impregnable as Singapore.

Simultaneously, British capital has again become interested in Chinese investment possibilities. British money is behind some of the country's spectacular railroad expansion of the last few years, is in the new steel mills that have gone up around Canton, is importantly involved in the sudden exploitation of the rich resources of Hainan island. A representative of Britain's government export credit guarantee organization is in China now studying conditions and encouraging new export business—and getting it.

### France's Policy

France, after backing a loan for a new rail line far up the Yangtze, has made it plain that it will fortify Cam Ranh, in Indo-China, if Britain wishes to make it a supplementary naval base to Singapore and Hongkong in the defense of British, French, and Dutch possessions in the Far East.

The United States, while getting out of the Philippines soon, has pushed its transpacific air service from Manila on to Hongkong, where it connects with Chinese services in which Americans are major owners with the Chinese government. And the United States has made the first of what may prove to be a long string of export credit arrangements covering sales to China.

Japan can't risk an adventure in the South now. It is too late to turn back to the North. Whatever real weakness the "Trotsky purges" in Russia may signify, Japan can't forget that Soviet-made planes have flown more than 6,000 miles nonstop. It is but one-tenth that distance from Vladivostok to Tokyo, and modern bombers could probably cover it in three hours.

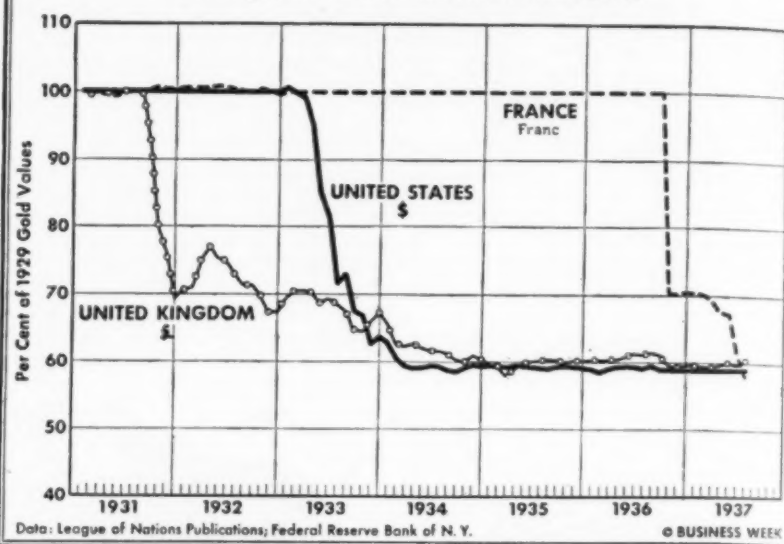
### What Japan Is After

Japan is still obsessed with the idea that she must control sources of raw materials for the factories by which an increasing proportion of her population lives, and the markets in which much that she manufactures must be sold. North China provides a mass market, and a certain number of raw materials.

China's internal stability is developing rapidly. Supporting it now are the business men and the diplomats of the United States and Great Britain, and threatening any aggressor is the Soviet Union. If Tokyo is to win the same hold over North China that she has over Manchukuo, she must move quickly. And it is extremely doubtful if Japan will any longer toy with the idea of dominating any part of China south of the Yellow river.

## THE MONEY TRIANGLE

Exchange Rates in Per Cent of 1929 Gold Parities



**BACK WHERE THEY STARTED**—Just before Great Britain left gold in September, 1931, the franc was worth 3.92c and the pound \$4.86 in relation to the dollar. Then sterling depreciated; and a year and a half later, in March, 1933, the United States quit gold. France abandoned the metal first in September last year and now is in the midst of a second apostasy. Result of it all; the three currencies, though 40% lower in their figurative gold content than they formerly were, are back near their former parities to one another—the fading franc, below 3.72c; the buoyant pound at \$4.98.

## "Come Play Gold Poker," Says U.S.

Britain has the only other hand now, so Morgenthau redistributes gold chips to let Brazil and China sit in. Additional Latin American players sought.

AN international poker game is in progress. The trouble is there are only two players. And two-handed poker is a very bad game indeed. That explains, in part, the recent deals between the United States and China and the United States and Brazil. Secretary of the Treasury Morgenthau would like to redistribute some of his gold chips so that other finance ministers can play with him.

Right now there are only two active players—this country and Great Britain. France, until September last year, was active, but uncertain economic and political conditions drained its pile of chips. Capital fled in the face of vast social reforms that were laid on an inflationary base, and of constant incapacity or unwillingness to balance the budget. Since the Armistice, France has had a balanced budget in only three years, 1927, 1928, and 1929.

Other gold bloc countries faded from their chairs and now play a minor, almost a kibitzer, rôle in the poker game. These countries are Belgium, The Netherlands (and it is noteworthy that gold has been moving to Holland and the

guilder has been strong), and Switzerland. But the "big three" among the money players are definitely broken up. France is too busy trying to straighten out internal difficulties and reorientate the franc to a leading part.

Hence the game is just limping along; hence also the necessity of recruits. If only the United States and Great Britain can attract other countries to the gold standard, then the chips they are using are certain to have a permanent value and to be used as the medium for settling balances of payments in international exchange.

Apparently with the double purpose of stimulating trade and of reaffirming world faith in the chips of which he has a \$12,000,000,000 stack, Mr. Morgenthau has entered into an arrangement whereby the country will extend a \$60,000,000 gold credit to Brazil—Brazil to use that fund of bullion as a base for stabilizing its currency. And similarly, just a week before, Mr. Morgenthau agreed to trade American gold for Chinese silver (*BW*—Jul 17 '37, p. 53).

Neither the Brazilian nor the Chinese

**PROBLEM: SOCIAL SECURITY FIGURE WORK**

**SOLUTION:**

*New Simplified*  
**PAYROLL METHOD**



**FOR USE IN CONNECTION WITH  
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**OUTMODED** figure-work methods can't cope with modern figure-work problems resulting from Social Security legislation.

- The "Comptometer" Payroll Method, devised by our research staff, provides for recording employee records with respect to earnings and deductions of all kinds. This thoroughly up-to-date method is simple, economical and flexible.

Executives who look for accuracy with speed, adaptability with economy in handling large or small figure-work routines will find information of great interest in the illustrated six-page folder shown above. Requests entail no obligation.

- For your copy, write (on your firm's letter-head) to the Felt & Tarrant Mfg. Co., 1733 North Paulina Street, Chicago, Illinois.

**COMPTOMETER**

Reg. U. S. Pat. Off.





**GOLD CHIPS FOR BRAZIL**—Secretary of the Treasury Henry Morgenthau (left) and Arthur de Souza Costa, finance minister of Brazil (center), last week signed an agreement by which the United States undertook to sell \$60,000,000 of gold to Brazil. The minister and Secretary of State Cordell Hull (right) agreed to strengthen the United States-Brazilian reciprocal trade treaty by protecting one another "against outside competition subsidized by governments."

commitment is orthodox. Normally the credits would be arranged by a banking group. Dollars would be placed at the disposal of the two countries, and with those dollars a supply of gold would be laid in. But neither China nor Brazil is calibrated financially to a banking loan. And therefore the Treasury steps out of its function as keeper of the till and becomes an international money lender. Object: to keep the poker game from busting up.

Since December the inactive gold fund has climbed to \$1,200,000,000; and now Congress wants to do something with that sum. At hearings before the House Banking Committee pressure was brought on Chairman Eccles of the board of governors of the Federal Reserve System to use the sterilized gold to retire the federal debt. He explained that to do that would be to increase excess reserves of member banks, which, if the congressmen had analyzed the problem, might have been fairly obvious. In order to keep the gold from becoming part of the credit structure, the Treasury sells its bills, thereby increasing its debt. It is the increase of debt, which is purchased largely by banks, that nullifies the hot gold. And to reverse the process and retire debt with the assets of the stabilization fund would be to restore to the gold its credit-producing power.

The Treasury and the Federal Reserve expect (or hope) that eventually the gold tide will shift; that economic conditions in Europe, particularly in

France, will ameliorate so that there will be a return movement of capital. In which event, the burden of buying all the gold counters the rest of the world wants to sell will be lifted from the United States and Great Britain.

But just waiting for the tide to turn has been tedious. Great Britain has made overtures to her colonies to set up their own gold reserves as backing for their currencies. The purpose was to diffuse the bullion among more powers, and Canada has acted, establishing not only a central bank but also a stabilization fund. And it is possible that Britain will go outside its empire to interest other nations in returning to gold as a basis for trade stability.

#### Other Agreements Expected

The American program has only just begun. For two years the United States has been buying Mexican silver with the understanding that Mexico, if and when it wants it, can obtain gold from the Treasury. Although no such understanding exists with Peru, this country has been a consistent purchaser of Peruvian silver; and since dollar exchange is equivalent to gold, the effect is the same.

Ultimately a more direct pact may be made with Peru, under which this country will attempt to provide gold for the stabilization of its currency. Other candidates for such treatment, though silver will not be the basis for the swap, are Chile and Colombia, both of which are sorely in need of stable cur-

rencies for carrying on their world trade, and neither of which has immediate free resources to exchange for gold. A credit of the type arranged with Brazil, implemented with a trade agreement, might be the solution.

If such deals are consummated, then some semblance of foreign exchange stability will obtain for the major countries of South America, and that will contribute to the trade expansion program of Secretary of State Hull. More than that, the United States will have "deteriorated"—put to work—some of its gold and obtained additional playmates in the international monetary poker game.

## FTC vs. Ford, G.M.

**Commission charges them with deceptive advertising. Practices have been discontinued.**

LATE in June seven automobile manufacturers entered into agreements with the Federal Trade Commission to cease using misleading representations in selling their passenger cars. Chrysler was the only one of the Big Three included in the group. General Motors and Ford were reported to have refused to sign such an agreement because they, like the companies which subscribed to the agreement, had already discontinued any advertising which might be construed as misleading.

Outgrowth of this refusal is that the FTC this week issued complaints against General Motors and Ford to stop them from engaging in these practices. This appears to be solely a political move by the Roosevelt Administration, because the quarrel with the motor industry's top-flight producers is about something in the past which no longer is done. Nevertheless the action, believes Detroit, serves the political purpose of putting General Motors and Ford in a bad light publicly.

In recent months the automobile industry has cleaned up its advertising pretty well. Last December the f.o.b. factory price was voluntarily abandoned in favor of a delivered price in the city of manufacture. That did away with the practice of showing the picture of a car with a price \$50 or \$100 less than it actually could be bought for. The delivered price is the former f.o.b. price plus charges for conditioning, for standard accessories, and (usually) for the federal tax. It does not include freight charges. Car makers also discontinued advertising a base price (often on a coupé) in copy which pictured a four-door sedan. They likewise agreed to explain fully in large type if a price shown in an ad does not include accessories and other charges.

## Silk and Rayon Czar?

**Hugh Johnson says the industry needs one, and federal judge invites him to conference.**

"A DOCTOR of your prescience is particularly needed," wrote Federal Judge William Clark from Newark to Gen. Hugh Johnson last week, inviting him to a conference on conditions in the silk-and-rayon printing industry of northern New Jersey. Gen. Johnson is an authority—he recently completed a survey for the printing branch and recommended strong measures of co-operative enforcement to end "a singular deficiency of ethical concepts."

Meanwhile, the Paterson Industrial Commission has made recommendations of similar nature, to set up rules against unfair trade practices in the silk and rayon finishing industry. This plan covers dyeing as well as printing, and does not envision a "czar" or chief coordinator, as the Johnson prospectus does, relying instead upon the Federal Trade Commission to establish proper standards.

Opinion in the trade, according to *Textile World*, is sharply divided as to the most effective method of control, although nearly all concerned agree on the need for elimination of unfair practices. Whether the doughty general becomes czar of the industry depends on whether a majority like that idea and whether funds can be raised to pay him and support the regulatory work.

Best indication of action is the general unanimity of opinion among the finishers that "something must be done." Former apathy is ended, and the present movement for cooperation looks like the most promising to date.

## Heat Boosts Cotton

**Women buy garments of this material for coolness. Products are improved by research.**

Two weeks of high temperatures and higher humidities in the so-called temperate zone caused many of our feminine population to forget their attachment to silks and synthetics and to return their allegiance to old King Cotton. Large newspaper space proclaimed the availability of coolly sheer cotton nighties and pajamas in many of the better metropolitan department stores and specialty shops, and girls too inhibited to sleep in the raw bought them in quantities.

Word went out that thin cotton crepe panties and other unmentionables need no hot iron as a part of their laundering, and the sales graphs bulged.

Cotton textile men everywhere are crossing their fingers and holding their thumbs in the hope that all this com-

fort achieved by the feminine delegation, particularly those in the normally silk-minded buying group, through the aforementioned contact with cotton will divert interest to many of the new things in cotton developed through research. As Walter M. Scott, textile expert of Gustavus J. Esselen, Inc., Boston chemical consultants, points out, "the connection of cotton with research is not so obvious as that of the synthetic fibers designated by the general term, 'rayon.' Rayon originated in the chemical laboratory. . . . Cotton, on the other hand, is a product of nature, and manufacturers have, perhaps subconsciously, assumed it foolish to attempt to improve on nature's handiwork."

For years the only chemical treatment applied to cotton was mercerizing. But cotton treated with a solution of copper oxide in ammonia becomes wool-like, and with a certain modification of this treatment takes on a permanent luster approaching that of rayon. Sulphuric acid, judiciously applied, gives cotton fabrics an appearance akin to linen or parchment, depending upon other operations in the process. It is even possible to make cotton fabrics transparent without substantially affecting their softness or "hand."

Special chemical treatments will waterproof or spotproof hitherto vulnerable materials. Cotton thus treated is called "immunized cotton" which

can be dyed only by processes normally associated with acetate rayon. Cotton fabrics impregnated with certain synthetic resins take on a high resistance to wrinkling and creasing; impregnated with others, they take on high degrees of color fastness. Resins may also be added to starch fillers to create the currently popular non-wilting collars for men's shirts. The Sanforizing process of preshrinking has worked a revolution in the cotton garment industry, proving the popular appeal of research-fathered developments properly publicized.

## Rayon Pulp in South

SURPRISING as it may seem, there never has been a mill in the South to make sulphite pulp for rayon manufacture, although the Southern pine is available and a large number of rayon mills are down South. Pulp has been carried all the way from the West Coast and from New England to the market in the deep South.

First move of the pulp makers to the scene of manufacture now is on, with the decision by three lumber products companies from the Pacific Northwest to build a new plant in Fernandina, Fla. The Rainier Pulp & Paper Co., Olympia Forest Products Co., and Gray's Harbor Pulp & Paper Co. are the firms interested, and their plans call for an initial investment of \$6,000,000.

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**KOPPERS LABORATORIES WILL MAKE TESTS OF YOUR COAL OR COKE**—Koppers operates one of the finest laboratories in the country for the chemical and physical testing of coal and coke. These laboratories are continuously engaged in checking the quality of coal from Koppers mines and coke from Koppers ovens. You may send samples of any coal or coke you buy and tests will be made at nominal costs. It can be done on a one-time basis or on a contract for periodic tests. Write for details and prices.

**KOPPERS COMPANY, PITTSBURGH, PA.**



**WEATHER EXPLORERS ON MASS FLIGHT**—To discover and register the temperatures, barometric pressures, and humidity encountered far above the earth's surface, the United States Weather Bureau station at Omaha, Nebraska, is sending up fifty automatic recorders attached to gas balloons, with a view to securing data making possible more accurate forecasts for longer distances. R. E. L. Blumenauer, scientific aide of the bureau, examines the instruments destined for exploratory service.

## Go for Water-Repellent Fabrics

**Consumers buy wash suits, fur coats, gloves, and other goods that have been processed with new-type finishes. Laundries do a reproofing business.**

ASK someone in the textile industry to describe the properties of the new water repellent finishes and his reply will be cluttered up with negatives. He will tell you that water-repellents are not exactly waterproof, nor are they to be regarded as permanent. Yet the textile industry, and the buying public, are going for them in a big way this summer. Many merchandising authorities predict water-repellents will be the big noise in textile promotions, especially in wash goods, for the next few seasons.

### What Repellents Will Do

Briefly, fabrics which have been processed with water-repellents are (1) water- and moisture-repellent, (2) perspiration-resistant, (3) stain-resistant, and (4) moth-resistant (in the case of woolens). Also the tensile strength of the fabric is increased to a certain extent. Combined, the above properties will furnish inspiration to any advertising copywriter.

To best illustrate the value to the wearer: a wash suit treated with any of the six or eight brands of water-repellents will stand up admirably under a light shower, but should the shower turn into a driving rain the owner would best call a taxi, or stay at home.

A carelessly spilled beverage will literally bounce off a garment made from properly treated fabric.

A store window display, which invariably draws a crowd, consists of a trickle of water falling on and sliding off a processed article—usually a shirt—while an untreated shirt placed immediately below sops up the drippings like a sponge. Another visual demonstration widely used this summer: two shirt collars, one processed, immersed in a fish bowl, the untreated one lying alongside quite limp by comparison with the other.

Although the retail trade in this country knew nothing of the new-type water-repellents until Macy's, Gimbel's, and Bamberger's, late in 1935, featured a process for treating fur coats (the actual processing being done by A. Hollander & Son, Inc., world's largest fur dressers and dyers), makers of the several repellent compounds say that there is nothing new about their products, that they have been used in Europe for the past decade. It is a fact that old-type water-repellents have been in limited use for years, but due to several objectionable features, including offensive odor and uncertain results in application, they could not be used generally. The present type, developed only

a few years ago, has practically superseded them.

Instead of being composed wholly of insoluble metallic soaps—usually aluminum—as were the first repellents, the new-type compounds are mostly made of emulsifiable waxes; aluminum salts are added to some, together with an emulsion stabilizer. The better repellents are readily dispersed in water, forming stable emulsions which do not break or decompose as easily as the old-type waterproofing agents.

### Neva-Wet Process in Wide Use

The variety of fabrics and type of garment to which water-repellents are now being applied is unusually wide. The intensively promoted Neva-Wet process is now being featured and applied to certain lines of both McCallum's and Propper's silk hosiery to render them spot-proof and run-resistant. Stienberger's gloves, Graceline handbags, Deanna Durbin swim suits, Golding Brothers upholstery fabrics and mattress tickings, Pebble Beach rayon fabrics, Julliard's corduroys, and Swan & Edgar's (London) mackintoshes represent a few of the textile, accessory, and ready-to-wear lines being processed with Neva-Wet; the list of cotton garments and fabrics now being treated seems almost endless.

In all, Neva-Wet claims 71 manufacturers are using its process while several thousand laundries are now equipped to reproof washable garments.

Exaggerated claims of a few high-powered promoters of water-repellents misled many retailers into the idea that the finishes in question were absolutely waterproof like a duck's back and as permanent. At the end of last season, many retailers found themselves holding sacks full of returned merchandise which, after a few ordinary launderings, had become water-resistant—like a sponge.

Just how often garments treated with water-repellents should be reproofed, and who shall do the reproofing, is not entirely clear. While laundries are being recommended for washable garments, and dry cleaners for woolens, rayons, and silks, a number of retail establishments have installed reproofing departments. Among them are Marshall Field in Chicago; J. L. Hudson, Detroit; Kaufman Department Stores, Pittsburgh, and Henry Morgan, Montreal.

### Problems for the Laundries

The reputable manufacturers of repellents have had some difficulty in convincing laundries that the demand for reproofing service will be sufficient for profit. Unless there is a sizable daily volume of reproofing, the cost of processing is too great for laundries to absorb. To large quantities, that is, solid lots, the repellent compounds may



# LOWEST PRICE IN HISTORY!



## NEW FRIGIDAIRE WATER COOLER WITH THE METER-MISER

**15¢ a day buys it... as little as 2¢ a day runs it!**

• Your office and home can now have Frigidaire-cooled water at less cost than old-way methods! For the remarkable new Frigidaire Water Cooler with the Meter-Miser slashes operating cost to the very bone. As little as 2¢ a day runs it... and only 15¢ a day buys it!

This new Frigidaire Cooler aids health and comfort by making an abundant supply of cool, refreshing water always conveniently available. And it operates on amazingly little current. For every one of these coolers has the famous Meter-Miser, the simplest refrigerating mechanism ever built. It is, in fact, the very same unit as is used in Frigidaire

Household refrigerators. Built and backed by General Motors, it comes to you with a 5-Year Protection Plan against service expense.

In addition to the Meter-Miser, this new Frigidaire Cooler offers you dozens of other advantages, many of them never before available at so low a price. Easy cleaning, fast cooling, Cold Control temperature regulator, "Freon-114"—the safe refrigerant used only by Frigidaire, and many other exclusive features.

This beautiful new cooler is available

for either bottled water or city pressure connection, and it may be had either in handsome Bronze or White Duco finish. See it at your nearest dealer's store today. There is Frigidaire water-cooling equipment for every need. Write for free booklet, describing the full line. Address Dept. 62-724, Frigidaire Division, General Motors Sales Corp., Dayton, O.

Every Frigidaire water cooler with the Meter-Miser carries a 5-Year Protection Plan against service expense on the mechanical unit.



DRINK FRIGIDAIRE-COOLED WATER FOR

BETTER HEALTH . . . GREATER EFFICIENCY

be applied in the laundry much the same as starch or sizing, the only additional expense being for materials. In small lots an entirely separate operation is required.

Laundries, too, have been victims of misrepresentation during the pioneering of water-repellents. Fast workers early this year sold exclusive franchises, plus over-priced "secret" chemicals, at fabulous prices to many Western laundries, with promises of huge profits to those who got in on the ground floor. A few months later every laundry supply dealer was offering similar compounds to all at reasonable prices.

#### Chicago Store and Laundry Tie-up

Outstanding laundry-retail store tie-up was effected in Chicago last month by Mandel Brothers, whose store-wide promotion of Impregnone-proofed merchandise was worked out in collaboration with a group of local laundries with an eye to extra business. The laundries agreed to reproof the merchandise free, it being understood that the owner of the garments was to pay regular laundering charges.

### Certified Cleaning

**Institute organized to maintain dry-cleaning standards. Members will use emblem.**

DRY cleaning is a Job among industries. It has been plagued by racketeers, by brutal price wars, by ethical carbuncles, by plantless middlemen, by insufficient technical research. Two years ago Auerbach, Renick & Wilding, New York advertising and sales counsel, sought a remedy in one field by organizing the Certified Rug Cleaners Institute. The same group have now launched the Institute for Maintaining Drycleaning Standards.

This is intended to aid customers who have been forced to pick dry cleaners in the dark. Often they are victimized by irresponsibles who pass work along and who can't be held for damages or loss of garments.

#### Qualifications for Membership

The institute announces that it already has signed three large plants in the United States and one in Canada. Members must meet tests as to their plant equipment, quality of work, commercial and financial integrity. They must carry insurance to protect customers' goods, and must settle complaints promptly or refer to the institute claims they are unable to satisfy. Inspections will be made to see that members maintain the standards set.

Each member will be allowed to use the institute emblem of certification in its signs and other promotion. On its side, the institute will promote recogni-

tion of the emblem and its significance by the public. National and local advertising will be placed to this end. It will follow the lines of the Certified Rug Cleaners advertisement in June *Good Housekeeping*. (Copy explains the object of certified rug cleaning, displays the certificate, and lists the institute members in 35 cities.)

To fill the need for better technical

knowledge on fabric cleaning, research will be financed in a "renowned institution." Findings will be available for institute members. Member plants will pay according to their volume of business. The institute is not affiliated with any dry cleaning group. In addition to a technical staff and industry advisers, the institute will set up a consumer's council.

## Milwaukee Buys by Test

**City government doesn't use first-cost as basis of purchases. Past experience and laboratory decide quality. Coal bought on penalty-and-bonus plan.**

THE city government of Milwaukee, with a highly reputed centralized set-up for municipal buying, recently let contracts for the purchase of tires and fireworks. A passenger car tire contract for the current quarter went to McLaren-Corrigan, Inc., distributors of Generals, and a truck tire contract to Danielski & Co., distributors of Seiberlings. Contracts for fireworks for the city's Mid-Summer Festival landed in the lap of Thearle-Duffield Fireworks, Inc., of Chicago. All three companies sharpened their pencils and did some close figuring. Moreover, the fireworks people agreed to make fireworks according to specifications.

Milwaukee's purchase of Generals

and Seiberlings doesn't mean that their distributors made the lowest bid per tire, or that the two tires are necessarily better than some others. Milwaukee doesn't buy on a basis of first cost alone, unless a purchase is for temporary convenience. In buying something used year in and year out, the city seeks the best product at the lowest price. Tires are bought on the basis of cost-per-mile, which is determined by dividing the bid by the life of the tire, which, in turn, is determined by the city's previous experience with the tire, or by actual use of samples furnished by distributors.

#### Rigid Specifications

The city's purchase of fireworks by blueprint specifications dates from five years ago, when Joseph W. Nicholson, city purchasing agent, holding a shell in his hand, asked a manufacturer, "How much black powder do you put in this shell?" The answer was, "Three handfuls." Nicholson asked, "Whose handfuls?" They then sat down together, and began drawing up specifications.

Today, as a result, specifications for the shell, which leaves a trail of bright stars high in the air, fix the weight of the blowing charge, the weight of the spreading charge, the number of matches each shell shall contain, the number of "comets" or stars, and even the kind of twine (two-ply Italian flax), with which the thing shall be tied together.

Milwaukee's purchasing set-up consists of a city testing laboratory, a Central Board of Purchases, and the purchasing agent, Nicholson, a former 8th Grade schoolteacher, whose 19-year record at the City Hall has landed him in the office of vice-president of the National Association of Purchasing Agents. The laboratory tests everything from scouring powder and fireworks to gasoline, coal, and concrete. Nicholson finds out what the various departments need, and where the city can buy a product that will give satis-



**EFFICIENT BUYER**—Joseph W. Nicholson, city purchasing agent, has saved Milwaukee money by setting up a rigid specification system of purchasing for the city.

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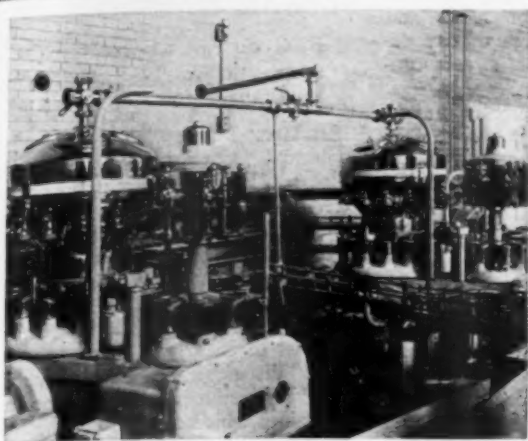
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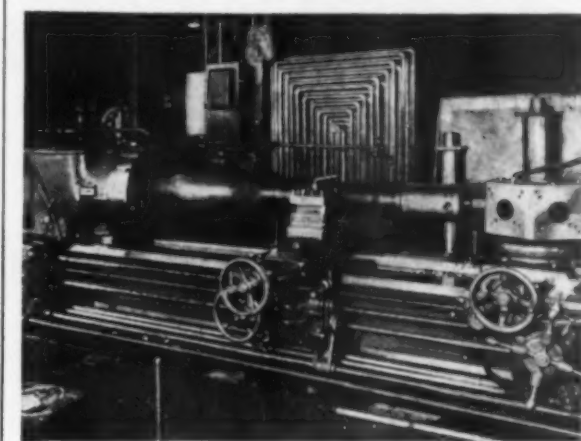
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*This battery of Vacuum Fillers is typical of the modern equipment being purchased by modern dairies with the aid of the C.I.T. Equipment Funding Plan.*



*(ABOVE) This lathe was purchased by a manufacturer on the C.I.T. Equipment Funding Plan. This manufacturer in turn, sells his own product on the C.I.T. Plan.*

*(BELOW) This electric stripping shovel is one of three purchased through C.I.T. in a transaction involving funding of more than a million dollars over a period of several years.*

## This Equipment is paying for itself

Business firms in many lines are taking advantage of the C.I.T. Equipment Funding Plan by which machinery and equipment can be purchased with small cash outlay



**P**URCHASERS of heavy machinery and other plant equipment involving thousands of dollars are daily making use of the C.I.T. Equipment Funding Plan.

Under this plan, cash is made available immediately for the purchase of productive equipment. The financing charge is the lowest generally available for such purposes

and is much less than the cost of floating small capital issues. The plan also provides for fixed amortization over a period of several years during the early earning life of the equipment. Machinery or other equipment thus acquired helps to earn its own purchase price.

Why not investigate the C.I.T. Equipment Funding Plan for your

business? With modern, improved machinery, you can start cutting costs immediately—and pay at least part of the cost of the new equipment *out of savings*. We will be glad to explain the C.I.T. Equipment Funding Plan to you in detail.

*An informative booklet, "C.I.T. at Work in Industry," sent free on request*



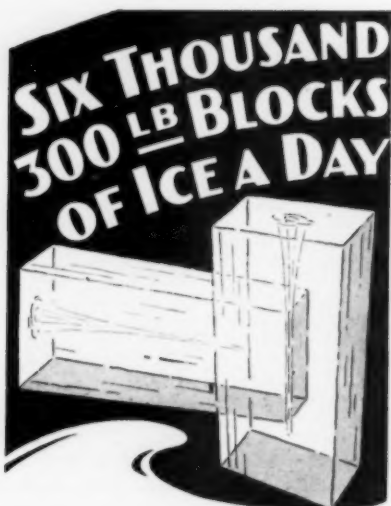
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Are being produced at the plant of the Arctic Hygeia Ice Mfg. Co., in New York City.

The work of modernizing this freezing system, representing the largest contract for ice-making machinery let in many years, and including nearly 3 million pounds of equipment, has just been completed by Frick Engineers.

For dependable cooling service, large or small, get in touch with the nearest Frick Branch or Distributor.



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PER SQUARE FOOT OF FLOOR SPACE



Sheet steel covering over structural steel frame—in strict accordance with A.I.S.C. specifications. Insulated if desired. Offer lowest cost per square foot of floor space of all types of permanent construction. Standard design or built to specifications. MARYLAND METAL BUILDING CO. Hare and McComas Sts., Baltimore, Md.

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BUSINESS WEEK, 330 W. 42nd St., N. Y. C.

factory service at the lowest price. The board, headed by Mayor Hoan and made up of representatives of city departments and institutions, awards contracts.

The board seeks to combine protection of the taxpayers' money with fairness to business men who do business with it. In its buying of coal, a badly handled problem in many cities, it has attained both goals. Coal contracts are let through competitive bids, and at so much per ton. The contracts, however, specify the British thermal units per pound which the city sets up as a standard, together with maximums of ash and moisture, and provide for penalizing companies for deficiencies and for payment of bonuses for B.t.u.'s in excess of the established minimum requirements.

### Performance Sets Price

Two different reports on Eastern coal furnished by the Wisconsin Great Lakes Coal & Dock Co. show how the system operates. In one case, the ash exceeded the standard 10% by 1.10%, the moisture fell below the allowable 5% by 0.46%, and the B.t.u.'s were 0.53% short of the standard 13,200, resulting in a total deficiency of 1.17%. The city, therefore, deducted 1.17%—or \$40.19—from the bill. But in the other case the ash fell 0.57% below the standard, the moisture fell 0.83% short and the B.t.u.'s exceeded the standard by 1.60%, making a total excess of 3% in all requirements. The city, therefore, added 3%—or \$109.22—to the amount of the bill under the original agreement.

Business men selling to Milwaukee voice two slightly different opinions of the set-up. Milwaukee manufacturers and distributors say it has no superior anywhere—and quite possibly no equal. Granting that it makes them figure closely, they say they give nothing away, and point to the fact that as taxpayers they have a direct interest in keeping the cost of government down. They are proud that the board and purchasing agent save the city about 15% a year.

### Tardy Payment

Outside business men say it is as good as any from the taxpayers' standpoint and an impossible hurdle for the manufacturer or distributor of an inferior product. Their one complaint is: "Milwaukee is slow pay—unless you cash their city orders at a discount through Milwaukee banks." This, since the city stopped paying cash three years ago, has been true. Bills are paid through the issuance of scrip, called city orders, which are due the next Feb. 1. Milwaukee banks, however, cash city orders at from 99.50¢ to 99.70¢ on the dollar so the discount isn't prohibitive.

## Icebox Ukase

**FTC orders Coolerator Co. to stop "unfairly disparaging" mechanical refrigerators.**

THE Great Icebox War, which has been going on for years and which, in general, pits ice-cooled refrigerators against electrically- or gas-operated boxes, left one battlefield strewn with harsh words last week and moved on to new fronts. Loser in the most recent brush was the Coolerator Co., of Duluth, Minn., which was ordered by the Federal Trade Commission to cease and desist from "unfairly disparaging mechanical or electrical refrigerators sold by competitors."

Things which can't be said, according to the FTC, are: (1) that 45 to 50 deg F. is an established or required temperature necessary in all types of refrigerators for satisfactory preservation of food; (2) that gases used as refrigerants have a deleterious effect on food; (3) that food kept in mechanical refrigerators loses water or is dehydrated to such an extent that nutritive value is impaired; (4) that decaying foods in mechanical refrigerators form gases and taint other foods; (5) that the non-mechanical boxes carry food gases away in water as ice melts, whereas in mechanical coolers the ice-cubes hold the gases.

### Ten-Year Fight

The fight against the electrically-operated boxes has been a stiff one for 10 years. A couple of years ago it got even stiffer, when advertising appropriations were raised and 3,000 ice dealers formed a war-chest to plug their product in newspapers and magazines. Re-



**CLEANING WITH AIR**—Recently put on the market by the Pacific SerVac Sales Company of Los Angeles is this automobile vacuum cleaner. Operated by compressed air, the cleaner can be used in places where electricity is not available.

sults were had—Coolerator, for one, sold 70,000 units as far back as 1935 and hasn't slowed up any.

National Ice Advertising, Inc., is the medium of expression for the campaigns put on by the industry, and its expenditures this year are estimated as being quite a bit above last year's shot. Popular conception of the ice-box has been changed—it is today so much like the big white electrical boxes that a casual observer can't tell the difference.

### Ice Industry Dresses Up

You still have to put ice in it—but not every day. Sometimes you ice it every three or four days, sometimes not more than every week. The ice-man is neat, these days, too (BW—Oct 24 '36, p35), and all in all the ice people have had a story to tell and have told it well.

Even though it's cheaper to buy and cheaper to operate, however, and notwithstanding the fact that ice doesn't draw moisture from food as ice-making machinery does, the electrical refrigerators are continuing to boom along on convenience, style, and service. The FTC remarks directed at Coolerator are taken in the mechanical-refrigerator trade as being in a way a crack-down on the whole ice campaign—which makes the ice people pretty mad, but gets only chuckles from the prosperous sellers of gadgetized cooling.

### Air Condition School

**Institute in Chicago will put up new building because of heavy student enrollment.**

COINCIDENTALLY with the release of figures by the Air Conditioning Manufacturers' Association showing that installed cost of air-conditioning equipment sold by members in the first five months of this year exceeded the total for all of last year, being \$50,131,360 for the six months compared with \$49,942,301 for the preceding 12, the Refrigeration and Air-Conditioning Institute in Chicago this week made definite plans to break ground early in September for a new \$110,000 building. The building, to be erected on a plot adjoining the school's present plant, is to be completed by Jan. 1 and ready for use by Mar. 1. New refrigeration and air-conditioning equipment to be installed will cost about \$200,000.

Erection of the building is made necessary by heavy enrollments of students following recent expansion of the school's course, which is designed to produce men thoroughly trained for service and maintenance engineering in the refrigeration and air conditioning fields. The school, owned by a closed corporation but run in cooperation with a board of governors representing the air-conditioning manufacturers, for-

# Good Night, New York Good Morning, California



5:55 P. M. and it's "good night, New York" as you board United's new DOUGLAS sleeper-type "Mainliner". "Your menu," and a charming stewardess serves a piping hot full course meal as, through your sky window, the sinking sun paints fascinating shadow pictures on the moving terrain below. Then an early evening of lounging, reading, bridge or chatting with fellow passengers. Time to retire and you slip into a berth larger than your twin bed at home. A night of repose on a real down mattress and you awaken at 10,000 feet feeling the exhilaration of greeting a day in an Alpine lodge! 8:15 A. M. and it's "good morning, California." Like a dream you've spanned the continent over night. Such is the magic of DOUGLAS Sleeper Planes.

DOUGLAS AIRCRAFT CO., INC.  
Santa Monica, California

## DOUGLAS Sleeper Plane

### GO "DOUGLAS" WHEREVER YOU TRAVEL THROUGHOUT THE WORLD

**AMERICA:** AMERICAN AIRLINES INC. EASTERN AIR LINES TWA UNITED AIR LINES PAN AMERICAN AIRWAYS BRANIFF AIRWAYS WESTERN AIR EXPRESS WILMINGTON-CATALINA AIRLINE  
**SOUTH AMERICA:** Pan American Grace Airways • **AUSTRALIA:** Australian National Airways Pty. Ltd.  
**EUROPE:** OELAG, Austria Deutsche Lufthansa, Germany K.L.M., Netherlands I.A.P.E., Spain Avio Linee Italiane, Italy LOT, Poland C.I.S., Czechoslovakia Swissair, Switzerland A.B. Aerotransport, Sweden  
**ORIENT:** Japan Air Transport China National Aviation Corporation K.N.I.L.M. in Netherlands Indies

# OLD-FASHIONED ELECTRIC CIRCUITS

The savings on electric power will more than repay cost of modernization. Don't risk a breakdown in your plant. Check-up electric circuits with aid of these free books.

**S**TYLES change...even in electric wires and cables! Today in many an industrial plant, antiquated electric circuits are causing a needless waste of money. Estimates reveal that 9 out of 10 plants could make important savings by a moderate investment in up-to-date wiring!

What about your plant? Before a breakdown interrupts production, make a check-up of your plant's electric circuits. See if power is being wasted in the form of invisible heat losses. See if maintenance and repair costs are unduly high. See if machines are being slowed up by voltage drops.

## Two important books you should have

To aid you in avoiding breakdown...to enable you to stop hidden losses...we have prepared two useful books. One is our "Industrial Wiring Survey." This tells how to check-up electric circuits. It simplifies the problem surprisingly.

The other is our "Industrial Guide for the Selection of Wire and Cable." The only thing of its kind in the electrical industry, it tells how to correct the condition which a survey of circuits reveals.

Send for these books—then put the matter up to your electrical engineer, industrial consultant, or electrical contractor. If you have a specific problem, consult our Engineering Department. We will co-operate without obligation.

871022

WRITE FOR YOUR COPIES



# Anaconda Wire &

General Offices: 25 Broadway, N. Y. • Chicago Office: 20 North Wacker Drive



W  
TS

## WASTE MONEY!



### MODERNIZED WIRING AIDS PLANT OPERATION IN THESE SIX WAYS

- 1 Prevents breakdowns that retard production and cause labor to lose wages.
- 2 Prevents light losses and slowing down of machines due to voltage drop.
- 3 Prevents dissipation of power in the form of invisible heat losses.
- 4 Lowers maintenance and repair costs.
- 5 Permits shifting of equipment or installation of new machinery with minimum delay.
- 6 Protects safety of workers and lowers insurance rates—a permanent saving!

&  
er Drive

# Cable Company

Sales Offices in Principal Cities

merly offered a combined extension and residential course devoted largely to refrigeration. As now revised and enlarged, the course puts more emphasis on all phases of air conditioning, including temperature control, humidity control, and purification and distribution of air. Moreover, the time devoted to both extension and residential study has been increased. Where students formerly completed the extension work in from eight to twelve months, from twelve to sixteen months are now required; and where residential laboratory work formerly was compressed into two weeks' time, students henceforth will have four weeks of work, with every type of air-conditioning equipment.

### Both Heating and Cooling

The school recognizes that air cooling is only one phase of air conditioning, and in its new course lays fully as much emphasis upon heating and ventilating as upon temperature control in midsummer. Among its many objects is the education of the consuming public, particularly hotel and restaurant men, to a wiser use of air conditioning, and especially to the fact that the difference between the outside and inside temperatures in summer should never be more than 10 or 12 degrees.

Through general intelligence and mechanical aptitude tests developed by Dr. S. N. Stevens, director of University College, Northwestern University, it seeks to keep from its rolls young men who are not fitted for the work. Dr. Stevens is now working on a third test which is designed to show the particular sector in the air conditioning field for which the student shows greatest aptitude.

### Facts on Conditioning

**Commerce Department report on 94 cities shows limits on possible temperature control.**

ONE sentence buried within the Department of Commerce's newest report, issued today, July 24, under the title, "Effect of City Water and Sewerage Facilities on the Market for Air-Conditioning Equipment," gives the key to the whole. The sentence is, "The report should be of considerable value to manufacturers and marketing executives engaged in the selling and installation of air-conditioning equipment, since it allows them to recognize that in a great many cases sales efforts on certain types of their merchandise cannot succeed in some cities regardless of the selling effort used."

There is little question that a major headache of the air-conditioning industry is water—its scarcity, its mineral content, its temperature, and its ultimate disposal (BW—Sep 12 '36, p 37). The



**TO SERVE COAST BUSINESS**—To be opened August 2 is San Francisco's handsome new Western Exchange and Merchandise Mart. The building has eight exhibition floors and two "tower floors," a basement garage and parking space, a large auditorium and restaurant, and over 50,000 sq. ft. of space in all.

report, therefore, being a statistical study of water and sewer conditions in all American cities of 100,000 and more, 94 in all, becomes a headache remedy of high therapeutic value.

Chicago, for instance, has plenty of water but not enough sewerage capacity to dispose of waste water; Atlanta has plenty of water but not enough delivery capacity. Seattle's mean summer temperature of 70 deg. F., with a drop below 60 deg. at night, would hardly justify artificial room-cooling at all. Springfield, Mass., reports that it is using 95% of water delivery capacity, but it adds that it can double delivery without adding to facilities. In some cities, during July and August, water temperatures at main outlets run as much as 16 deg. higher than the air temperature. The report costs 10¢; for some manufacturers it is priceless.

## Small Homes Drive

**Lumber interests built 1,200 demonstration houses. New pamphlet is guide for buyers.**

LUMBER interests are getting places in their campaign for stimulating small house construction, the category wherein need is most acute. A recent promotional vehicle is *Small Homes*, a guide to building, furnishing, financing. Back of the publication is a story.

In the spring of 1936 the Federal Housing Administration issued a pamphlet on small houses. It contained plans on which costs were estimated at from \$1,600 to \$3,000. Many lumber

dealers took a look at the attractive house designs and said that the FHA cost estimates were completely haywire—that such houses couldn't be built for those figures. Interest was so intense that a test finally was made.

### Three Demonstration Houses

The National Lumber Manufacturers Association and the National Lumber Dealers Association chose three of the FHA plans for demonstration houses which were built near Washington (*BW*—Jun 27 '36, p21). Lumber was bought retail, from local dealers. Local workmen were employed. The result upset prophecies. Costs were found to be somewhat lower than the FHA estimates. Furthermore there were 300 persons who wanted to buy the three houses. Lessons of the demonstration were so obvious that a national campaign was developed.

Local lumber interests all over the country were enrolled for the building of 6,000 demonstration homes. The three FHA types selected were a four-room cottage, a five-room two-story house, a six-room two-story house. About 1,200 of the homes have been finished. They have sold complete with lots for from \$3,765 to \$4,120.

Interest in the drive became so widespread that National Small Homes Bureau, New York City, was formed as a clearing house of information for home-buyers, lumber interests, contractors, building supplies manufacturers, home equipment makers, furnishing manufacturers. These companies have aided the bureau by taking advertising space in the *Small Homes* pamphlet.

The publication gives definite advice on how to select a homesite, methods of financing, how to adjust expenditures to income, how to tell good construction from bad, how to equip the house after it is built.

Cover of the pamphlet announces that 1,000,000 copies have been issued for the national small homes demonstration programs. They are to be had only at demonstration houses and the New York bureau. While building of demonstration houses has been slowed a bit by increased costs of labor, lumber, and other materials, it is thought that the home demand in the low-cost brackets is too strong to be retarded seriously.

## Furniture on Coast

**San Francisco will open new \$3,000,000 mart. Big attendance at Los Angeles show.**

CALIFORNIA business men, with two major celebrations successfully out of the way, (the Bay Bridge was opened last November and the Golden Gate span last May) find themselves faced with another one. This is the opening of San Francisco's new \$3,000,000 Western Furniture Exchange and Merchandise Mart, Aug. 2-7, simultaneously with the 44th Furniture Market Week. The event draws annually about 50,000 buyers from the Far Western states and Hawaii, Canada, and the Orient.

The handsome eight-story structure, largest of its kind west of Chicago, is strategically located at the heart of traffic in San Francisco, easily accessible to the two bay bridges. It is constructed of reinforced concrete and steel with ornamental tile exterior.

### Already Well-Rented

Exhibit space is 90% rented with about 300 exhibitors and 600 lines of home furnishing merchandise. Practically all national manufacturers in the field are represented.

Fall Market Week this year will feature five divisions: furniture and bedding, floor coverings, radios and home appliances, curtains and draperies, housewares, lamps, and gift-wares. There will be annual meetings, also, of the Western Furniture Conference and Western Furniture Institute.

Running concurrently, Aug. 2-7, in San Francisco will be the 34th Dry Goods and Apparel Market sponsored by the Manufacturers' and Wholesalers' Association of San Francisco.

Meanwhile, apparently undismayed by all the goings-on in "the bay city," Los Angeles has just completed its "sixth semi-annual market" attended by some 6,000 retail buyers of furniture. Attendance was 20% ahead of the January show and buying volume ran close to \$3,000,000.

# Headed for Cool Comfort

in HOTELS that have

## Carrier Air Conditioning



### TO NAME A FEW:

ARIZONA HOTEL,  
Phoenix, Arizona.  
BARBARA WORTH HOTEL,  
El Centro, California  
BENTLEY HOTEL,  
Alexandria, Louisiana  
BILTMORE HOTEL,  
Los Angeles, California  
BROWN PALACE HOTEL,  
Denver, Colorado  
CARLTON HOTEL,  
Washington, D. C.  
COPLEY PLAZA,  
Boston, Massachusetts  
GEORGE WASHINGTON,  
Jacksonville, Florida  
HOTEL PASO DEL NORTE,  
El Paso, Texas  
MERCED HOTEL,  
Merced, California  
MUEHLBACH HOTEL,  
Kansas City, Missouri  
SAN FRANCISCO, California  
ST. CLAIR INN,  
St. Clair, Michigan  
STEVENS HOTEL,  
Chicago, Illinois  
THE DEARBORN INN,  
Dearborn, Michigan  
THE PALMER HOUSE,  
Chicago, Illinois  
WALDORF-ASTORIA,  
New York City

**P**UT up with accommodations that are stuffy, hot, noisy? Not today! Modern travelers seek comfort—relief from stifling heat, distracting noise, oppressive humidity. And hotel owners are profiting—with Carrier Air Conditioning.

It's equally true in theatres, banks, stores, offices—in every business where profits are dependent on the comfort and good will of customers, and the efficiency of personnel. And it's true in more than 200 industries.

The reasons? First, because Carrier assures true air conditioning; temperature and humidity control, gentle air circulation, and freedom from dust and outside noise the year around. Second, because every Carrier installation, embodies the

engineering skill\* responsible for such installations as those in the U.S. Capitol, Radio City, Bank of China, and countless others in 99 countries of the world.

Decide upon Carrier Air Conditioning. Call your Carrier representative—now!

\*As the inventor of air conditioning, Willis H. Carrier and his associates have devoted more than 35 years exclusively to the science—have been responsible for such outstanding achievements as Carrene, the safe refrigerator; Dew-Point Control; Evaporative Condensers; and Centrifugal Refrigeration.

CARRIER CORPORATION, Desk 348  
850 Frelinghuysen Avenue, Newark, N. J.  
Without obligation, send me complete information on Carrier Air Conditioning for \_\_\_\_\_  
Name \_\_\_\_\_ TYPE OF BUSINESS \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_



## Rubber at Peace With Unions

**Akron plants, which had sitdowns and other strikes nearly a year earlier than other places, have also recovered earlier. Unions turn to the right.**

THE rubber town of Akron appears to have bounced over the hump of its labor troubles, barring a rebound from a change in the national labor trend.

Strikes and sitdowns that became so prevalent last year that they rated hardly a mention in the local newspapers, have decreased almost to the vanishing point. The job of salvaging the town's industrial future has been started.

The feeling that the town is over its peak labor troubles is heightened by the absence of sitdowns in the first serious summer slump since the unions have been in the picture, with about 5,000 men scheduled for layoffs in Akron. Some of these men, the union knows, may never be recalled, because of the effects of industry decentralization.

Akron is from nine months to a year ahead of the national procession in labor recovery. It was in Akron that the Committee for Industrial Organization made its first stand in a big industry, the Goodyear strike. It was Akron labor that first took the sitdown to its bosom and it was Akron industry that found an answer of a kind to the problem.

The Goodyear strike, early last year, preceded the automobile labor wars by about 10 months. When the automobile sitdowns were at their height, rubber sitdowns were already decreasing rapidly.

### Credit All Around

Reasons for the labor recovery lie partly with labor, partly with industry, and partly with the public, with a large dash of credit to be given the fact that more time has elapsed since the lid blew off Akron than some industrial centers.

Today all the big rubber companies in Akron are dealing across the table with unions. There are no closed shops or full contracts. But there are no company unions or flat refusals to meet with union committees, either.

The National Labor Relations Board is deciding peaceably whether the Goodyear and Goodrich unions shall be the sole collective bargaining agencies.

The unions have moved sharply to the right since the days they maintained a 15-mile picket line with squirrel guns and clubs at Goodyear. They have moved from the have-not union class into a semi-have class, with the establishment of a sort of contractual relationship with their employers. Lantern-jawed Sherman Dalrymple, the United Rubber Workers president, speaks before luncheon clubs on union responsibility and deprecates sitdowns.

Industry, on the other hand, has gone

a full half-way to iron out its labor relations problems. Unusually paternalistic in the past and never extremely tough even in the transition period, the manufacturers have decided that the unions are here to stay.

The real or imagined pressure from the automobile industry to force the rubber industry to fight the C.I.O. is off since Detroit and Flint have had their taste of strike troubles.

### Labor Relations Plans

With recognition of the unions, the gum manufacturers are setting up their permanent machinery for dealing with them. Goodyear, characteristically, is grooming Hugh Allen, its hot-shot airship publicity man, for the labor rela-



**HELPING PAPA**—Recent strikes the country over have found womenfolk a little more militant, if anything, than their striking husbands. Here a mother with her baby demonstrates against nonunion workers at Staten Island (N.Y.) shipyards.

tions job. Goodrich depends on its socio-mechanical-minded Tim G. Graham, vice-president and factory manager, to do the job. Graham perfected the management sitdown to crack down on labor sitdowns.

At Firestone, W. R. Murphy, who once said that the danger-point in unionization, to management, comes when the union reaches 10% organization, handles the union with as little fuss as possible.

While the mechanics of the union-management relationship are being ironed out, the public has altered its attitude toward the labor problem. Despite sporadic strikes in several non-rubber industries, there is an absence of hysteria

among citizens which is reassuring. This spring, when the C.I.O. captured the town's transportation system, and closed down a half dozen industrial plants at the same time, the public had reached the don't-give-a-cuss stage.

This psychology, superimposed on the grass-will-grow-in-the-streets way of thinking, became a threat to wayward unionists. From here it is but a short jump to a feeling of distaste for the union cause. The unions took the tip.

It was at this stage that Goodrich came along with its management sitdown. Instead of permitting a departmental sitdown to bottle-neck production, Goodrich sent home all the non-sitters.

Firestone adopted the tactic and proved it could make a management sitdown stick—for 11 weeks. Union leaders who had blamed irresponsible rank and filers for the sitdown epidemic, and the rank and filers themselves, sat up and took notice. Not only did the leaders preach against sitdowns, but real union pressure—the kind used to enlist members—was brought to bear.

### Promoting Akron

Into this picture, the Greater Akron Association has stepped with its program of industrial rehabilitation, a project of selling Akron (1) to itself and (2) to the world at large. Financed largely by business, with the help of industry, the association points out to labor the dangers of too militant unionism while it is hunting for new payrolls.

Through newspaper, magazine, and radio space, the association has undertaken the job of rebuilding the town's industrial prospects by missionary work both within and outside the city.

Akron's ghost-town psychology has gradually been altered, but actual evidences of its industrial rehabilitation are still lacking. Decentralization of the rubber industry has moved some tire production out of the city, but no factories are idle as a result. On the other hand, no new industries have moved in, but Akron is again having hopes.

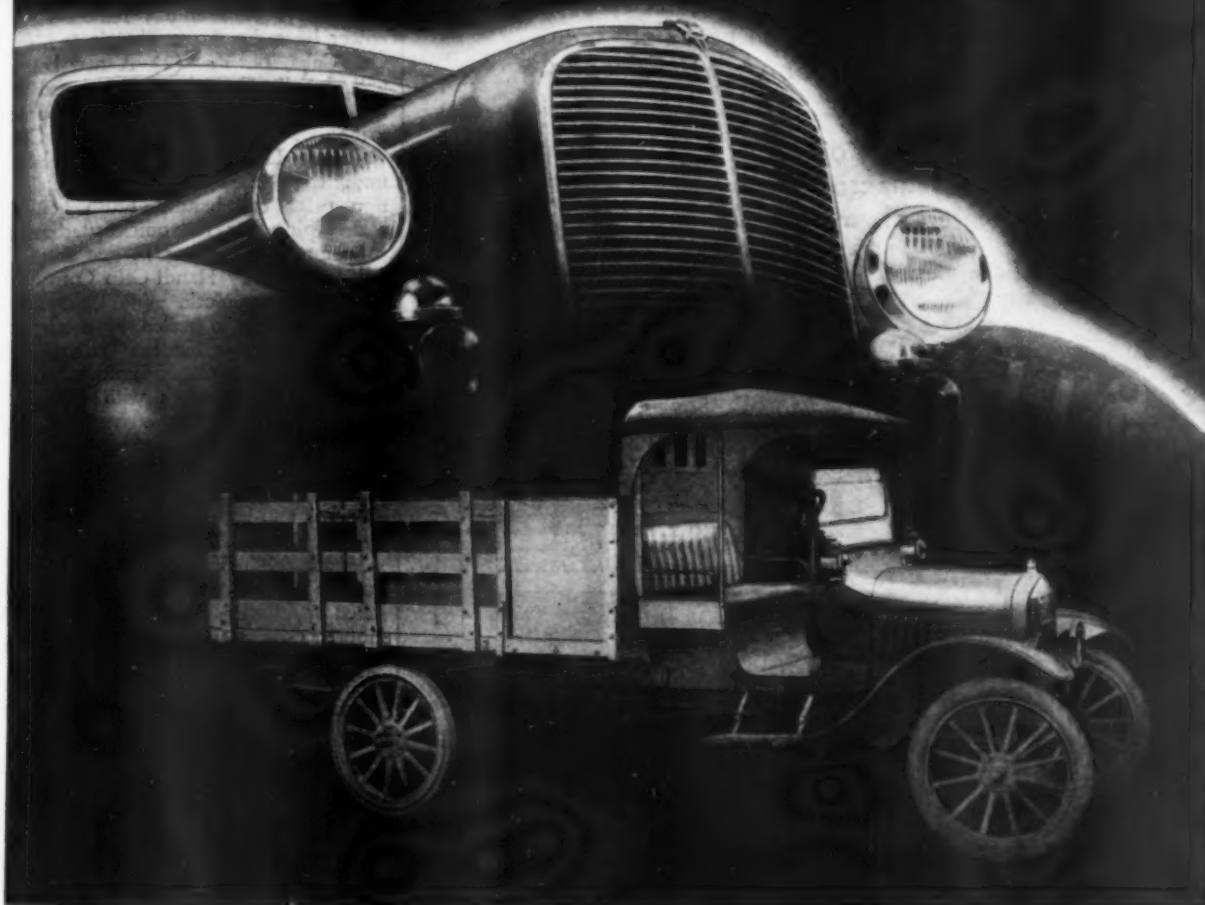
### \$32,000,000 Free Mail

MORE than \$32,713,305 was lost to the Post Office in 1936 by the flood of free mail matter handled for Congress and departments other than the Post Office. The figures, brought out in a table introduced by Rep. J. Walter Lambeth, N. C., showed that the growth of this type of loss for the last few years has been steady since 1929, when it was slightly below \$10,000,000, through to 1933, when it had jumped to \$15,967,000; in 1934 to \$24,519,000; and in 1935 to \$32,566,000.

Members of Congress, using the franking privilege, sent out \$751,570 worth of mail.

# 20 YEARS AGO THIS MONTH

## THE FIRST FORD TRUCK WAS BUILT



### TODAY... FORD LEADS THE WORLD IN TRUCK-BUILDING EXPERIENCE

The first Ford truck was built July 27, 1917. Because it was built of materials stronger but lighter than those in common use, it combined ruggedness and reliability with low operating cost. Because it was sold in large numbers, its price was low. It was the first low-priced truck of quality, and it met with immediate success.

Since 1917, Ford has built more trucks and commercial cars than any other manufacturer . . . more than

four million units. Measured in years or in units, Ford leads the world in truck-building experience.

Such experience has enabled Ford engineers to improve the Ford truck year after year. The 1917 model was 40 horsepower and sold for \$600. Today's Ford V-8 Truck gives you 85 horsepower and sells for nearly \$100 less. Road speeds of 70 miles an hour . . . nearly double the speed of the 1917 model . . . are possible with today's Ford truck. Frames, springs, axles, clutches and wheels have been strengthened for greater load-carrying ability. Safety has been increased

by the use of an all-steel cab and Safety Glass.

And as for ECONOMY . . . today's Ford V-8 Trucks show the lowest ton-mile costs of any truck in Ford history.

Try a Ford V-8 Truck under your own operating conditions. Ask your Ford dealer for an "on-the-job" test of an 85-horsepower Ford V-8 Truck if your loads are heavy . . . or for light delivery service with frequent stops, try the thrifty new 60-horsepower Ford V-8.

CONVENIENT, ECONOMICAL TERMS THROUGH AUTHORIZED FORD FINANCE PLANS OF THE UNIVERSAL CREDIT COMPANY.

# FORD V-8 TRUCKS

## COOL AND COMFORTABLE

Air-cooled guest rooms, dining rooms, lobbies, meeting rooms, ballrooms, coffee shop and barber shop will assure you complete comfort during your summer visit to Chicago.

The Stevens Hotel offers the greatest amount of air-cooled area of all of the hotels in Chicago. Enjoy this crowning touch to the surpassing comfort always found at the Stevens.



• Being a low-cost plant puts you in a position to meet whatever the future may hold. When times are good, you make more money; when times are poor, you get the business because your prices can be more attractive... We would like to show you 9 ways a new Warner & Swasey Turret Lathe helps you become a low-cost plant. No obligation. Just write...

**WARNER  
&  
SWASEY**  
Turret Lathes  
Cleveland

## New Products—

New processes and new designs; new applications of old materials and ideas.

MIDSUMMER developments calculated to relieve midsummer doldrums: (1) A new neon transformer to illuminate neon signs and displays installed on automobiles or locations remote from power lines, by Acme Electric & Mfg. Co., Cuba, N. Y. (2) A new bottle with inbuilt "V" channel designed to direct pouring and prevent last-minute dribbling, by Owens-Illinois Glass Co., Toledo. Liquid will not curl back under the bottle's lip. (3) A combination paint can handle, brush holder, and wiping bar for quick attachment to paint cans ranging in size from a half pint up, by Handl-Grip Corp., 19 Park Pl., New York. (4) Collapsible tubes hermetically sealed by a narrow strip of Latex within the "crimp," by Bond-Penn Tube Co., Wilmington, Del. (5) Collapsible tubes with caps flat enough and large enough to act as pedestals, thus permitting each tube to stand upright in a medicine closet, by Peerless Tube Co., Bloomfield, N. J. (6) An anti-hay fever mask developed by Dr. J. B. Biederman, which will sidetrack 99% of all pollen seeking to enter nose and mouth, soon to be marketed by Allergy Research Institute, Cincinnati, now in process of organization.

WHOEVER has frazzled his temper and his fingers dialing and redialing a long array of telephone numbers will welcome the "Autodial" which dials its



Business Week

own numbers. Set a pointer opposite any one of a dozen frequently called names—depress a lever. An inbuilt mechanism automatically transmits the digits of the proper number. Automatic Electric Co., Chicago, retains the dial for less frequently called numbers and can provide outfits with as many as 52 automatic diallers.

ONE of the oldest games in the world is marbles; one of the newest advertising signs is the "Marble-Glo" which



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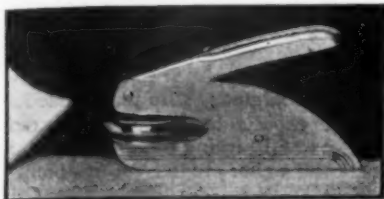
Business Week

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takes polished glass marbles midway in size between "mibs" and "aggies," and places them in a single layer between two sheets of glass, where they perform admirably as diffusers and diffractors of vari-colored light. As developed by Advert-O-Moto, Inc., 500 Fifth Ave., New York, natural heat from an inbuilt electric lamp whirls a tiny fan from which is suspended a cylinder of heat-resistant cellulose acetate tinted in any combination of colors desired. The greater the wattage of the lamp, the brighter the light, the hotter the heat, the faster the change of colors.

LOOKING something like a modernized antediluvian about to take a bite out of something, the modern "Duro" streamline seal is ready to take its place in



Business Week

corporate and notarial sealing duties everywhere, particularly on modern desks. It will not tip when used as a desk seal, yet fits comfortably in the hand. Sachs-Lawlor Co., Denver, makes it; R. A. Stewart Co., 80 Duane St., New York, and Superior Type Co., 3940 Ravenswood Ave., Chicago, sell it.

UNSCREW the mouthpiece of the "Zeus" cigarette holder, insert a cigarette into an aluminum tube, and rescrew mouthpiece. Insert another cigarette in the business end of the holder, and light up. As developed in cooperation with scientists of Aluminum Research Laboratories, the first cigarette becomes a filter, cooling the smoke and extracting a large amount of tar and nicotine normally entering the inwards of a smoker. One inside cigarette will condition the smoke of 10 or 20 outsiders. L. & H. Stern, Inc., 56-64 Pearl St., Brooklyn, will begin marketing in August and will eventually tackle a pipe with a cigarette inserted in its stem.

DOWN from Boston comes a new and relatively inexpensive photographic printing process called "prismprinting" to fill the gap between single-print color photos and quantity full-color printing by letter-press, lithography, and gravure. PrismPrints, Inc., 51 E. 42nd St., New York, is making exact duplicates of drawings, paintings, or color photos in any quantity from a practical minimum of 100 up to the point where the number of prints is large enough to warrant the cost of process plates for mechanical reproduction. Full-color sales kits should be naturals.

# Aunt Sarah finds she has lost Three Cool Summers



"Isn't this heat terrible? I'm afraid it's going to spoil my visit, Madge."

"Come in, Aunt Sarah... you'll be surprised."

"Why, bless my soul, it's cool in here! How do you do it?"



"This York Room Cooler does the trick. We've had it since 1934. It's portable, and no plumbing or piping to mess with... just plug it into the electrical socket."


"Well, I declare! We're way behind the times back home; looks as if I've sweated needlessly the past three summers. I'll fix that on my return!"

**Don't Swelter this Summer, 'phone your  
nearest York Office or Distributor . . . or use the Coupon**

These units for individual rooms are truly portable. You can move them to a new office or home if you wish. Tested through all these years they have proved, that for a few cents an hour, you can have these 6 benefits.

1. Air that is cool and comfortable, no matter what the outside temperature.
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And, when winter comes . . . this same portable can be equipped for warming as well as circulating fresh, filtered air. York Ice Machinery Corporation, York, Penn. Headquarters Branches and Distributors throughout the World.

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**AIR CONDITIONING**  **REFRIGERATION**

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Please send me information on air conditioning Individual Rooms

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REPUBLIC'S NEW STRIP MILLS—Near Cleveland, in the Cuyahoga Valley, Republic Steel Corporation's new 98-inch continuous strip mills are nearing completion, and are sched-

uled to roll their first steel early this fall. The cold mill buildings are seen on the left. The hot mill group, to the right, is already under roof and is partly enclosed.

## Steel Enters Stable Period

**Consumers' panicky demand for quick delivery is over. Prices likely to stay unchanged all year. Production in first half gained 35%.**

WITH the C.I.O. strike affecting Little Steel washed up, the steel industry once more is getting its mind back onto its main job of making and selling steel. And the prospects, barring further serious labor trouble, are good.

Any summer lull is apt to be short-lived and relatively mild. One reason is that Republic, Youngstown Sheet & Tube, and Inland will be pushing their production to make up for time lost during the strike. Another reason is that the change-over period in the automobile industry will be brief, and manufacture of 1938 models will start early (which means that steel orders from Detroit should be substantial). A third reason is that steel consumers generally are busy and steel bookings fairly brisk.

### Near All-Time High

Despite strike interruptions, steel mills came within a hair's breadth of setting an all-time production record in the first half of '37. Steel ingot output was 28,764,633 gross tons, according to *Iron Age*, compared with a peak of 29,036,274 tons during the first six months of 1929. The strike cut June operations by a million tons. The January-to-June gain over the same period last year is 35%.

Steel activities aren't likely to continue at the dizzy pace set earlier in the year, but the situation probably will be healthier. During the spring, steel consumers got panicky with prices rising and a shortage of steel at hand. Having become accustomed during depression days to overnight deliveries, they hardly knew what to make of having to wait weeks on end for steel. And the knowl-

edge that steel exports were establishing new highs didn't help their peace of mind. Back in April, some steel users were even asking to be put on mill production schedules for the fourth quarter.

Now the outlook is more tranquil. The recession in business in late spring gave the mills a little breathing spell. Rapidly rising production costs have tended to level off for a while. Sanity has returned to steel consumers and they no longer are trying to stock all the steel they can get against possible steel strikes and higher steel prices. Yet demand remains broad and strong, with all classes of users, except structural steel, apt to continue near-top operations.

An influence yet to be measured is the reduction of duties on steel by England, where a steel shortage exists. This revision of tariff schedules may result in shipment of sizable tonnages by American mills.

### Prices Hold Steady

There are no signs now of runaway prices ahead. Steel companies may have to alter their opinions later if costs should go up further, but just now they feel that present prices will be retained until at least Jan. 1. This is reassuring to users and is aiding in stabilizing the market. Price cutting, long the bane of the industry, has not been a troublemaker lately, because business has been so good that mills would be foolish to make concessions and because increased production costs forbid much slashing.

The rebound in steel has put in the foreground the need for expanding

steel-making capacities. Jones & Laughlin has recently placed in full operation its new continuous strip mill, while Republic expects to have its new continuous mill turning over in September, 10 months after ground was first broken. Republic, too, is enlarging its Gulf States Steel division, building new open-hearth and increasing sheet mill capacity 50%. Carnegie-Illinois is spending millions for a new strip mill at its Irvin Works at Clairton, Pa. American Steel & Wire is making an outlay of four million dollars to modernize its cold-roll department at Cleveland.

### Increasing Capacity

Raw steel and pig iron capacity, which has been stationary since pre-depression days, is being expanded. Weirton Steel, subsidiary of National Steel, has enlarged its ingot capacity 10% by installing a bessemer converter, the first addition to bessemer steel making since 1930. Great Lakes Steel, another National subsidiary, is erecting a third blast furnace and four more open hearths at Detroit. American Rolling Mill will start supplying molten pig iron to its Middletown plant from a new blast furnace at Hamilton, O., next month. Ford Motor has plans for a new blast furnace, and will rebuild and enlarge some of its open hearths at the Rouge works.

Throughout the steel industry, mills are being modernized to reduce costs and increase output. Where necessary to relieve pressure from consumers, old high-cost mills are being put into operation at least temporarily. The country's continuous strip mills, with their huge capacities (about which steel men were worrying a year or two ago, because they couldn't foresee enough steel orders ahead to keep them all busy) have been operating all year at full capacity.

Flat-rolled steel, going largely into consumer goods, still is the bellwether

of the industry. Almost seven million tons of steel sheets alone were produced last year, or 33% more than in 1929. Tin plate output in 1936 hit two million tons for the first time. The momentum attained a year ago has continued this year because of the high demand for automobiles, refrigerators, canned goods, and household products.

It would be unfair, however, to deprive the heavier steel products of their share of credit for steel's prosperity. Railroad buying of cars, rails, and other steel materials is far ahead of that in 1936. In fact, there are more freight cars on order now than on any corresponding date since 1924. Farm purchases of steel, particularly in the form of implements and tractors, have been heavy. Structural steel awards have been the best since 1931, but tonnage is running some 40% under the 1929 figures.

## New Sleeper Bus

**It has eight compartments and weighs 7,000 lb. less than other buses of same size.**





DETROIT (Business Week Bureau)—A new sleeper bus with eight standard-size Pullman compartments and weighing 7,000 lb. less than regular buses of the same size has been completed by Sleeper Coaches of Michigan, Inc., a Detroit company, and will be taken on an Eastern tour in August. The bus, with body of lightweight Dowmetal, was built by Dow Chemical Co. at Midland, Mich. Dow will manufacture several more, after which it is planned to enter into a volume contract with some body or coach builder.

The bus is 33 ft. long, 8 ft. wide, and 10½ ft. high. Each sleeping compartment has upper and lower berth running lengthwise of the bus. There is space for 16 passengers. There are two lavatories, the first in any sleeper coach. Power is provided by a Reo 100-hp. standard motor mounted in the rear. Instead of a main driveshaft there are two short shafts to each rear wheel, these shafts resulting in the equivalent of independent springing of rear wheels. The chassis is Reo-designed, built of duralumin by the Dow company. Inside sound-proofing and insulation is accomplished by using a layer of Sepak (a wood fiber used in Douglas planes), an air space, and a layer of Reflecto (an aluminum foil).

## More Miles per Gallon

Weight of the bus is 11,600 lb., sufficiently low that eight miles to the gallon is claimed, as against three miles to the gallon in previous sleeper buses. It is believed that a passenger charge of 2¢ a mile, without berth charge, will pay out, compared with railroad Pull-



WHEN any motor truck is used as a tractor  and is coupled to a Fruehauf Trailer  it can handle 2½ to 3 times its normal capacity. You simply use the motor truck as a *mechanical horse* to pull the load on a Fruehauf Trailer which is a *modern wagon*. Remember that on its back a horse  can carry 300 pounds. But the horse can PULL two tons or more . So, the tractor-and-trailer unit is simply the horse-and-wagon brought up to date!

**EXECUTIVES, attention!** Are you paying a **PREMIUM** for transportation costs in your business because you *think* that you can't use Fruehauf Trailers? Prejudice or lack of facts can keep your trucking costs up and your profits down.

Do you know that *professional haulers*—the Motor Carriers—once thought they couldn't use Trailers? Now they use them day and night and couldn't stay in business without them!

Think of reducing your investment by 36%, saving 34% in operating expense.

These are *average savings* realized by Fruehauf owners—in your case the performance may be *still more efficient!* Besides, quickly-detachable Trailers eliminate idle time—which means more trips per day.

Let us study your transportation costs with you. Much good will result. Wire or write us. And be sure to send for the second edition of our "EXECUTIVE THINKING" book. It's an eye-opener if you want to haul **MORE PAYLOAD** with your motor trucks!

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man rates of 3¢ a mile plus berth charge. Only two transcontinental sleepers, with berths running lengthwise of the bus, are now in operation. However, there are six old-type buses, with berths crosswise of the bus, running between Kansas City and Los Angeles.

Paul Seiler, former president of General Motors Truck, is president of Sleeper Coaches.

## Gasoline Prices Up

**A 1½¢ per gal. raise is made in the East and South to compensate for higher costs.**

EMBOLDENED by record-breaking consumption, marketers last week hiked the retail price of gasoline 1½¢ per gal. in Southern and Atlantic states. The boost brings the service station price more nearly in line with refinery prices. In February a similar rise in gasoline was made, to compensate for increased costs of crude (*BW*—May 29 '37, p16). Refinery quotations have since risen from ½ to ¾¢ per gal. to meet further upward adjustments of crude in East Texas and to take care of wage increases.

Crude and gasoline for the huge markets of the Atlantic seaboard travel from Texas and Louisiana ports by tanker. Charter rates for these ships have been going up. Since February spot charters have risen until they represent an added cost of about 0.47¢ per gal. between Gulf ports and New York.

The majors, owning their own fleets, have not been worried by increased transportation costs which the independent jobber has been forced to absorb. The rise in gasoline price is easing some of the pressure on the independents but they claim they needed a 1.10¢ per gal. increase to offset recent additions to their costs.

## Sales Are Stepped Up

The oil industry is wondering whether the rise will follow for all areas east of the Rockies. It hopes this can be effected before Labor Day marks the end of the summer's heavy-consumption period. An 8,000,000 bbl. increase in gasoline stocks over last year does not abash these anticipations. Demand is running about 12% ahead of 1936, and refineries are being pushed to meet demand.

Fuel oil prices are firm, too. There were recent local rises but the Oil Burner Institute points out that fuel oil prices increased less than 10% from 1932 to 1936 while 15 other basic commodities rose 50% in the same period. An institute survey considers that fuel oil prices are now stable. It also notes that 7,500 jobbers supply fuel for 1,500,000 homes with automatic oil heat. About 700,000 household burners were sold during the past seven years.

## Sifts Gas Tax Frauds

**Federal grand jury helps Southeastern states by inquiry into misbiling of gasoline.**

LAST summer there was great excitement in certain Southeastern states over the prosecution of a huge ring that was cheating on gasoline taxes. The technique was simple. Gasoline was shipped in misbilled as kerosene or as other oil products not subject to the tax. There were some convictions, a suicide or two, but the states were not satisfied.

It is often possible for a person with money and political influence to escape from a state court with a light slap on the wrist and a stern warning. The federal courts are something else. And the federal courts are now moving in. Members of the ring who had thought they were in the clear are getting jumpy again.

Much of the gasoline which escaped the state taxes traveled in interstate commerce. It is alleged that it was misbilled as part of a conspiracy to defraud the states, which is a serious offense against federal laws. On June 28 a federal grand jury at Shreveport, La., began an investigation. The charges are said to include 53 persons. Those involved are state tax officials, refinery agents, shippers, and distributors. A typical charge is that the distributors, after avoiding the state tax, collected it when the gasoline was retailed.

A rough idea of what this meant can be had from the fact that the gasoline tax in Tennessee, Louisiana, and Florida is 7¢ per gal. Alabama and Mississippi, the other states affected, have 6¢ tax rates. Millions of revenue were

lost in this manner and state officials are giving the federal authorities every aid in the present punitive expedition.

It is known that refinery agents in the Shreveport area are under suspicion. The Federal Bureau of Investigation is said to be busy in the East Texas district also. A former employee of an East Texas company is a fugitive from the Tennessee courts and there is a reward out for his return. The dodge was so simple that other states needn't be surprised if they find they have been similarly victimized.

## Limiting Gas Stations

**Cities restrict number and location by means of zoning and other regulations.**

No doubt cars need to have a lot of filling stations around. But other considerations, economic and esthetic, exist, and they're back of an increased interest on the part of cities in problems of controlling the number and location of gasoline stations. Zoning, licensing, and safety regulations are the cities' instruments for restriction, points out Paul P. Oppermann, assistant director of the American Society of Planning Officials, in *Public Management*, official publication of the International City Managers' Association.

While most zoning regulations limit gasoline stations to industrial districts, the board of appeals often uses its discretionary power to allow them in business areas. As to residential sections, the applicant is required to show the board the written consent of a certain percentage of property owners in the neighborhood affected. In one community, in the event 50% of the lots



QUAYSIDE SERVICE—When a ship docks at Southampton, England, a mobile petrol (in American—gasoline) station is right on the spot to take care of arriving automobiles.

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## For those VACATIONS from 55 on Make Reservations Now

**N**OT all Americans look forward to Retirement with a Capital R, as their fathers sometimes did.

They prefer to think of life from 55 on as an opportunity not for decreasing activity but for new and more enjoyable kinds of activity of their own choosing and quite independent of the need to make money.

"The thought of giving up work entirely," said a busy man recently, "does not attract me. I do like the idea of longer and more frequent vacations but I would not like them to last 365 days a year. All play and no work takes most of the fun out of play."

"I realized this some time ago," he continued, "and now that I am nearing 55, I am glad that I did. Next year as a result of a plan suggested to me earlier in life by a representative of The Mutual Life Insurance Company of New York, I shall receive an income payment from my life insurance sufficient to take care of my first winter vacation. I have arranged my policies so that this income will gradually increase each holiday

season until I have a yearly fund large enough to take such vacations whenever and wherever I like."

How will you enjoy the later years of your life?

Whether your interests lie in the field of travel or sport or collecting or the industrial arts, there is one condition you should satisfy if you wish to make certain that you can gratify your desire.

It is that you begin now and plan in advance. You can do this effectively through a Mutual Life representative.

If you prefer, first, to read more before talking with this representative, a copy of "Planning for Income at 55, 60 or 65," an attractive 24 page booklet, will be sent to you or left with you upon request to the address below.

Take advantage of the opportunity to talk at leisure now, during these vacation days, with someone who comes to you from a Company which has been planning future security for others since 1843.

*The Mutual Life  
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DAVID F. HOUSTON, President  
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affected have protested, the unanimous vote of the board is necessary for the granting of a permit.

Sometimes a board may refuse a permit on grounds of oversupply, justifying its decision by the number and location of stations over a period of years, trends in ownership, and the gallonage sold.

New York's prohibition of public garages within 200 feet of a school or hospital has been applied by other cities to gasoline stations. In at least half a dozen states, courts have upheld the regulation.

## Hit at Loss Sellers

**California amends law so as to make it harder to sell goods at less than cost.**

CALIFORNIA's unfair practices act, which prohibits selling below cost and sets up an elaborate system for arriving at cost of doing business, will be strengthened materially, its sponsors hope, by a series of amendments passed at the last session of the legislature, signed by Gov. Frank Merriam and effective Aug. 28. Prosecution of violators is simplified, and loopholes have been plugged.

Important new features include:

(1) An enlargement of prohibited "discriminatory practices" carried on "with intent to destroy competition in retail, wholesale, and manufacturing within the state."

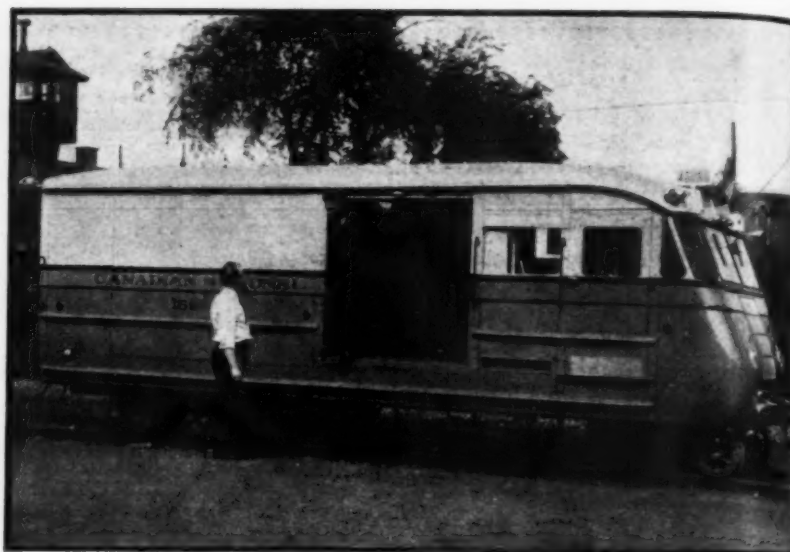
(2) Closer definition of the "cost of doing business." A "loss leader" is redefined as "any article or product sold at less than cost to induce purchase of other merchandise." A new amendment prohibits special rebates, collateral contracts, or other devices "which may in effect violate the spirit of the act."

(3) There's a new definition of "ordinary channels of trade" showing the difference between this method of buying and that of the forced, bankrupt, or close-out sale, and requiring that goods purchased outside the ordinary channels be kept separate and so advertised to consumers.

(4) An important change simplifies the proving of "unlawful intent" on the part of a violator. One or more acts of selling a product below cost or giving it away, with proof of the injurious effects of such an act, will hereafter be presumptive evidence of the purpose to injure competitors or destroy competition. In other words, a defendant can no longer get away by pleading that, although he did sell below cost, he didn't realize it would injure a competitor.

(5) A plaintiff can collect damages from a defendant found guilty.

(6) Proof of average over-all cost of doing business for any particular inventory period will apply generally to each product sold. Delivery costs will be



**FOR BETTER FREIGHT SERVICE**—Combining the advantages of truck and rail transportation, this freight unit of the Canadian National Railways facilitates delivery of freight nearer its destination. The vehicle is equipped with both auto and standard-gauge railroad wheels. It can be hitched with other freight cars to travel under a unit, or it may be driven individually under its own power.

based on the regular transportation tariffs established by the state Railroad Commission even if the retailer uses his kid's bicycle to make deliveries.

(7) Proprietors of a store must make an allowance for their own services as a part of labor costs.

(8) Any ganging up between wholesaler, manufacturer, jobber, broker, or

retailer to violate the law is prohibited, also any "threats, intimidations, or boycotts" that might effect a violation.

Retailers' associations, especially in southern California, where price-cutting practices are rife, are taking off their coats and rolling up sleeves in preparation for some real enforcement tactics on the basis of the amendments.

## Law Fixes Used Car Prices

**Pennsylvania's NRA for dealers is the sensation of the trade. Wisconsin limits number of dealers. FTC's help is sought against manufacturers.**

DETROIT (*Business Week Bureau*)—Feeling that mere talk is getting them nowhere, car dealers have gone gunning for government aid in helping to keep their own house in order and attempting to improve factory-dealer relationships.

The sensation at the moment is the new Pennsylvania law regulating the sale of cars. Put through the legislature by the Pennsylvania Automotive Association, the law sets up a commission of five which is empowered to issue licenses to dealers and their salesmen and to establish maximum prices for used cars. Fines of \$50 to \$200 are provided for violations. The commission is to consist of a used car dealer of five years' experience, two new car dealers of the same experience, a new car salesman, and a member who has not been in the retail car business.

Ohio, Iowa, and Nebraska have enacted car dealer licensing laws this year

modeled pretty much after the Wisconsin law (except that the Iowa law does not concern automobile finance companies). The Wisconsin law stipulates that the state banking commission shall license all dealers, salesmen, and finance companies. The law has recently been amended to include a "convenience and necessity clause" whereby the commission has the right to refuse a license to a new dealer if a local territory already has enough dealers to serve the potential market. There is grave doubt, however, that this clause is constitutional.

To supplement state actions, usually sponsored by state associations, the National Automobile Dealers Association has taken up the cudgel on behalf of two national measures. It has requested the Federal Trade Commission to call a trade practice conference for the automobile industry to discuss such matters as misrepresentation in advertis-





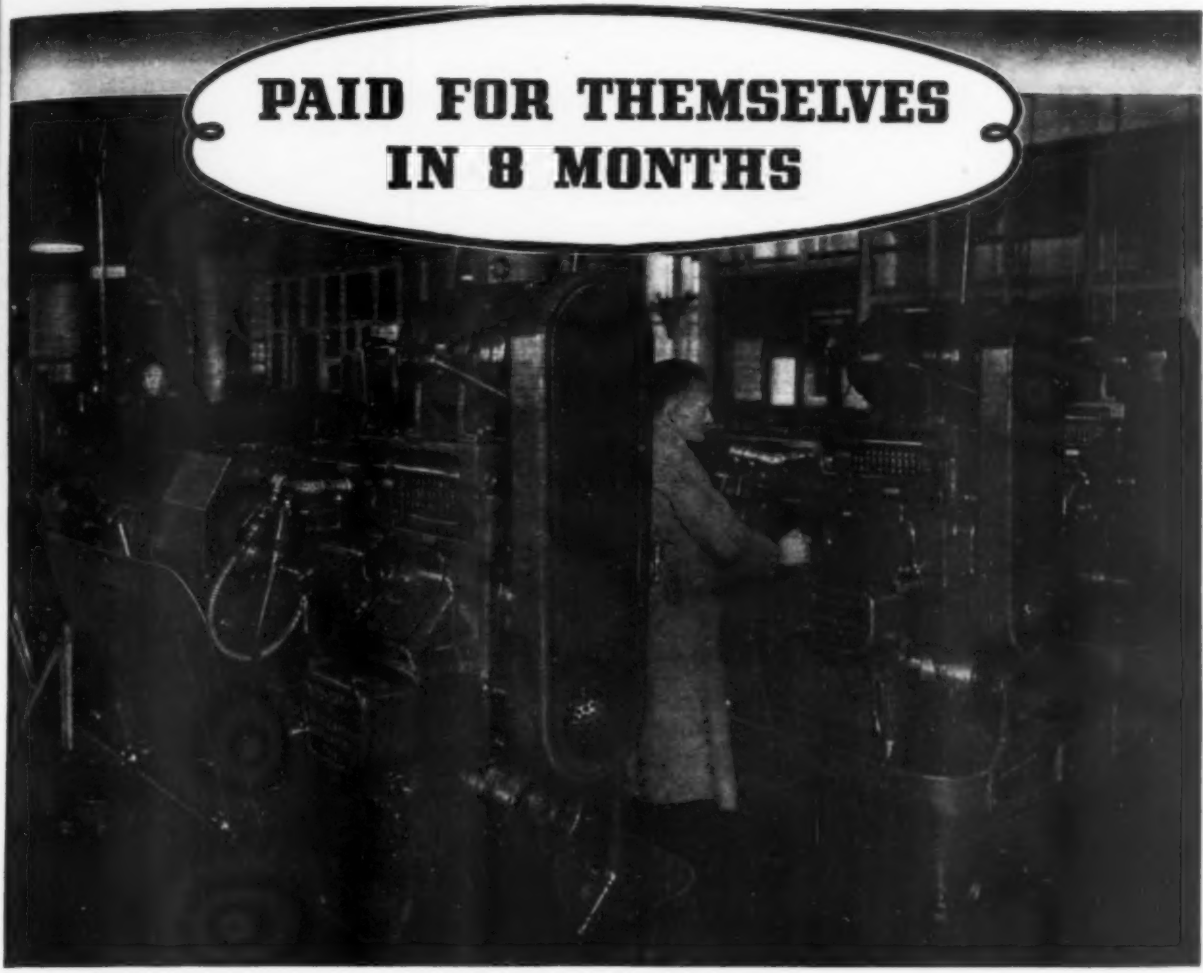
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**PAID FOR THEMSELVES  
IN 8 MONTHS**

## National Acme Screw Machines Prove Prime Investment

● Few investments pay a high return these days. But many users of new model Acme-Gridley Automatics tell us that they get their money back in less than a year! An automotive parts manufacturer bought four machines, says they paid for themselves in 8 months!\*

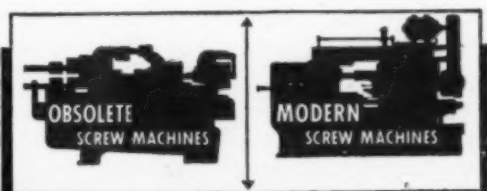
It's because of the remarkable improvements recently made in our machines. By comparison, equipment which has been in use only a few years becomes obsolete.

For example, the Model R has much higher spindle speeds, anti-friction bearings, automatic lubrication with filtered oil, more rigid tool support, faster indexing

and more accessible tooling. The machine is heavier throughout. Vibration is lessened. Life is lengthened. With these advantages you get a high return on your investment, a better finished product and low production costs.

We sell our 1937 model machines on the basis of guaranteed production speeds. *You know what your savings will be before you buy.*

Why not let one of our engineers survey your equipment, give you the whole money-saving story, make recommendations? There's no obligation. The National Acme Company, Cleveland, Ohio.



**THE DIVIDING LINE BETWEEN PROFIT AND LOSS**

\*Name on request.

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BUT ARE YOU? Has it occurred to you that your domestic security is daily threatened by personal injury, sickness, burglary, automobile accident, and your legal responsibility for injuries incurred on your property?

But Standard of Detroit . . . with its staunch financial structure . . . its policy of prompt, fair settlements . . . offers the perfect safeguard against all such hazards.

Your business, too, may be protected by Standard against embezzlement, robbery, check forgery and other threats to its future.

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ing and selling procedures, "padding" of finance charges, selling below cost, coercion by car manufacturers. The N.A.D.A. also has given its official backing to Rep. Gardner R. Withrow, of Wisconsin, who is attempting, on request of the Wisconsin legislature, to get Congress to authorize an FTC investigation of the automobile industry, including factory-dealer relationships. The N.A.D.A. wants the FTC to send out its investigators to obtain information quietly and confidentially, only the final conclusions being made public.

Car manufacturers are sympathetic with the aims of dealers to free their business of abuses, but they don't believe that licensing laws will solve the problem. They say emphatically that the Pennsylvania law is an attempt to insure a profit by government subsidy, and believe that the law is unconstitutional because of its price-fixing provisions.

Some dealer association officials declare dealer franchises are more liberal than formerly, but still are so unprotected against cancellation that they are useless at the bank for credit.

## Banks Held Liable

**Judge says they mismanaged affairs of debtor brewer and must pay \$568,895.**

BANKERS aren't brewers. That's one conclusion that can be drawn from the decision handed down by Federal Judge John P. Barnes in which he assessed \$568,895 damages against two Chicago banks. Another conclusion—and this by inference—is that banks, when they appoint, or influence the appointment of, their own men to run a business, must accept full financial responsibility for their deeds.

The two banks—the Harris Trust & Savings and the First National—will appeal. And the ultimate verdict of the higher court will have far-reaching consequences on the relation of bankers to business concerns receiving credits.

The corporation in the case is the 44-year-old Prima Co., one of the five Chicago beer-making enterprises to survive the long dry spell prior to repeal. After repeal, it made lots of beer and lots of money, but in 1933 something went wrong, and the company went into the red. In the middle of 1934 it borrowed \$400,000 from the two Loop banks, \$200,000 from each. The Harris Trust & Savings, the more active of the two institutions in the case, urged the appointment of Garnett C. Skinner, who had been manager for several months of a small Chicago brewery, to take full charge of the "finances, manufacturing, distribution, and management" of the debtor company.

The contract under which Skinner was hired provided that he could be dis-

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charged only with the consent of the banks, and the court said: "The speed with which the officers of the bank concluded that the old officers of the debtor were incompetent to carry on its business, and the lack of care with which they proceeded to select a manager to displace them, was equaled or exceeded by the diligence with which Mr. Skinner proceeded to tear down and destroy the organization, business, and good will of the debtor."

In assessing damages, the court stated that no allowance was made for good will. Of Skinner, Judge Barnes declared: "He did not act maliciously; his acts were manifestations of the foolhardiness of ignorance. He knew nothing about the beer business, but he had supreme confidence in his ability to sell anything. He apparently thought he could sell anything that looked like beer, had a foam on it, and had a disagreeable taste. Accordingly, he changed the formulas for brewing the beer and diluted the beer with 80% of its volume of water. To his surprise and the disaster of the debtor, it was found that beer drinkers want not only color and foam but that they also want a particular kind of disagreeable taste."

The court went on to say that Skinner discontinued well-known brand names, sold one brand name, and in choosing new names selected names that were identified with "nationally advertised brands of flour and soap."

#### Suit to Protect Creditors

In September, 1935, Hilmar and Wainwright Ernst, principal stockholders and sons of the founder of the company, suggested a Section 77-b bankruptcy to protect all creditors, but this was not done, on advice of counsel called in by the Harris Trust. About a year later Mr. Skinner took the step. Marshall Keig was appointed trustee and it was he who brought the suit against the banks.

Throughout his opinion Judge Barnes chastized bankers for what is called "normal banking practice," that is taking charge of a business to protect their loans. Because First National only ratified the acts of Harris Trust, the court observes that its "moral responsibility" is "very much less"; but on a cash basis the court held the banks equally culpable.

Last month the Illinois Supreme Court held the First National liable for losses estimated at \$400,000 in the case of Mrs. Esther C. B. Busby (BW—Jun 26'37, p18). The court held that the bank as executor of Leonard A. Busby's estate had held stocks overlong when it was the bank's responsibility to sell.

In the Busby case the bank had a definite fiduciary responsibility and was paid for it. In the Prima case, the banks acted in their capacity as large creditors. So the two are not strictly analogous.

IN THE

# Nation's Capitol

ANOTHER GREAT BUILDING IS  
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## Wage-Hour Changes

Labor watches Washington legislation. Some congressmen want 60c minimum-wage top.

LABOR, suffering still from violent growing pains but apparently recovering from the convulsions produced by the abortive steel strike, this week kept its eyes fixed on Washington as nearly everyone else did. Leaders of the American Federation of Labor and the Committee for Industrial Organization waited to see what effect recent events would have on the rank and file, particularly the following trends:

### Outstanding Events

1. The court fight in Congress. In general organized labor says, "He's our man," in speaking of the President, and is deeply concerned about his chances of continuing as master of Washington.

2. The upcoming wage-hour bills. With the Senate bill reported out, the House Labor Committee still was arguing over its own version, with more radical members attempting to write in proposals which might make it tougher on business and thus make its path to passage more difficult.

3. The parallel statements of last week by William Green and John L. Lewis, assuring C.I.O. and A.F.L. that neither wanted to break the other's strikes.

4. The continued growth of armed "citizen committees" with the Johnstown group in the van and apparently headed for a national setup.

Of these, the future of only one—wage-hour discussion—can be accurately charted at present. It is regarded as unlikely that the House bill will be turned out on the pattern of the Senate measure; more probably it will look like the original Administration measure which the Senate group tore apart and revised.

### Proposes 60c Top

Several members of the House group are proposing, for example, that the board have authority to fix wages as high as 60¢ an hour. This is regarded as invading the field of collective bargaining just as definitely as the Administration bill did with its 80¢ top. The Senate committee, by holding the wage standard down to 40¢, tried to confine the board's scope of activity to low-wage, long-hour occupations—in the main, to eliminate sweatshop conditions. Hence as the week progressed, it seemed as if the House committee's action in reporting a bill—any bill—would be more significant than its content. Radical provisions are not likely to survive later consideration on the floor of the House and Senate, and the main Administration hope is to get action and get the bill out.

## What the NLRB Has Done

	Total Cases	Workers Involved	Cases Closed	Withdrawn by Petitioner	Closed by Agreement of Parties	Dismissed Before Formal Action	Closed Various Other Ways	Strikes Handled	Strikes Averted	Strikes Settled	Electricity
Three Months to January 1, 1936	466	122,940	175	55	86	30	9	33	21	17	11
January, 1936	110	20,346	84	21	39	20	4	14	4	9	6
February	66	5,424	55	11	35	6	3	5	8	2	2
March	90	19,300	80	27	30	19	4	18	3	10	3
April	142	11,646	93	22	46	22	3	10	9	7	3
May	108	26,460	98	23	50	14	5	32	4	18	1
June	86	34,739	95	33	44	6	6	18	3	11	6
July	74	31,936	85	34	33	9	9	24	8	15	2
August	112	8,565	65	33	22	9	1	6	14	2	1
September	150	9,214	62	18	33	7	4	15	4	14	21
October	147	27,355	167	54	80	14	19	69	3	62	2
November	88	309,187	78	14	40	18	6	25	5	18	16
December	128	18,986	142	47	62	24	9	44	3	15	9
January, 1937	110	24,744	118	25	78	14	1	34	10	31	3
February	195	74,870	123	37	64	17	5	31	2	16	5
March	239	49,616	143	25	91	25	1	46	61	40	7
April*	477	159,251	216	57	129	22	6	49	23	35	29
May*	1,064	319,572	447	56	328	48	15	107	51	103	74
20 Months Total	3,852	1,274,131	2,379	602	1,290	324	163	580	236	423	201

\* Post-validation period. † Includes 53 cease-and-desist orders.

Source: National Labor Relations Board

Business Week

**THE BOARD GOES TO WORK**—Before the Supreme Court's decision the Wagner Act was just a sign in labor's back yard; "Beware of the Dog." For 18 months only the timid paid much attention to it. But on April 12 the Court let out of the doghouse a very convincing animal and the National Labor Relations Board went to work in earnest. Look at the figures for May. Total cases rise vertically more than 200%. Comparable increases show in other columns. Strike cases doubled as labor felt bolder. But strikes settled increased 400%, as did strikes averted, because the board did a creditable arbitration job, and because industry very often met labor at or beyond the midway. This May bulge in NLRB activity is no mere spurt, the board says. Case figures are running steadily higher.

## Push Limited Dividend Housing

Roosevelt's advisers alarmed at rise in rents and drop in private building. They want large-scale construction of homes, privately financed.

WASHINGTON (Business Week Bureau)—While Sen. Wagner and professional sponsors of public housing are still trying to mask the cost of a subsidized program for slum dwellers. President Roosevelt's interest has been aroused by the desire of his more practical advisers to do something to curb the rising cost of everybody's rent without cost to the government.

The answer, to their mind, is large-scale construction of family dwelling units, privately financed, along the line pioneered by the Federal Housing Administration. This method is expected to lower costs and overcome the acute housing shortage. The apartment house projects sponsored by FHA are designed for families who can pay an economic rent. But such projects are few, and rising rents are eating into modest incomes.

The difficulty in providing housing for the ordinary run of people, either on an ownership or a rental basis, is

stated to be the reluctance of private capital to go into housing in a big way, and lack of organization in the residential building industry. The mortgage loans on FHA projects are insured; but investors fear that, inasmuch as Section 207 of the hopefully-framed law refers specifically to "the purpose of providing housing for persons of low income," some court some day may throw out the guarantee because, on their face, the rents are higher than low-income families can pay. This suggests amendment of the National Housing Act to define more accurately the income groups that are intended to benefit, and possibly to fix a roof on cost or rent per room.

Outside of apartment buildings, residential construction is still financed on a shoestring for the most part. The President's advisers believe that more capital at reasonable cost can be obtained for large-scale operations by limited dividend corporations paying a

higher rate of interest to small savers than savings banks or the government's baby bonds.

The acute situation in housing, entirely outside of the slum clearance field, is revealed in the current figures of the Bureau of Labor Statistics. It affects the 50% of all wage-earners who live in rented homes to a greater or lesser degree, but it is specially acute in Detroit where there has been a 50% increase in rents since December, 1933. During the first quarter of this year rents increased 4½% in Los Angeles, 2½% in Birmingham and Cleveland, 1.7% in Houston, and 1.3% in Seattle, and they are steadily rising elsewhere.

The spurt in new construction that last year provided 300,000 family units has already spent itself this year with a six-month total of 101,000. Rough estimates place the need at 750,000, a need that has turned back on itself in higher rents because of the increase in building costs. Building permits issued in June showed, for the first time since December, 1934, a decrease from the corresponding month of the previous year. The number of permits for family dwelling units dropped 14% in 1,437 cities having a population of 2,500 or over. There was a decline in June from the preceding month of 6.2% in permits issued, coupled with an increase in cost of 6.4%.

A week ago the subject of housing,

so far as developments in Washington are concerned, looked like a dead horse. Now it doesn't look quite so dead. The President's advisers—include J. M. Daiger of the FHA, Isador Lubin of the Bureau of Labor Statistics, and representatives of the Federal Reserve Board, Treasury Department, Home

Owners' Loan Corp., Works Progress Administration, and the National Resources Committee—went to work this week with the idea of submitting specific proposals to the President inside of a month. To the extent that legislation is necessary, however, nothing is likely to happen this session.

## Small Exchanges Keep Slipping

**Though Boston stock market has been doing better than most, SEC decides it needs help. Corporations prefer to be listed in New York.**

THINGS have been getting worse, not better, for the small interior stock exchanges. Boston is a case in point and it has done better than the average.

The dollar value of all shares traded on the Boston Stock Exchange rose from \$15,300,000 in May, 1935, to \$15,800,000 in May, this year, but in point of percentage of all stocks traded on all registered exchanges, Boston brokers lost ground: 1.26% in May, 1935; 1.25% in May of this year. Reason: The New York Stock and the New York Curb exchanges continue to lionize the business (see table).

That accounts for the deep solicitude the Securities Exchange Commission bears out-of-New York exchanges (BW

—May 16 '36, p. 37). Indeed, in its recent decision granting Boston brokers the right to conduct unlisted odd-lot trading in 15 stocks listed on the two New York markets, the SEC took due note of the smaller market's plight, saying:

"At present, the applicant exchange is operating at a net loss, and is maintaining itself out of accumulated surplus. The possibility of expansion in its unlisted trading is therefore of acute importance."

This week the SEC allowed the Philadelphia Stock Exchange to trade in common stocks of Bethlehem Steel and Studebaker Corp., both of which are listed on the New York Stock Exchange. The SEC observed that the

## New York Puts Squeeze on Other Stock Exchanges

**Bulk of Trading Continues to Drift to Eastern Seaboard**

Registered Exchanges	Value of Stocks Traded in May, 1935	% of Total, All Registered Exchanges	Value of Stocks Traded in May, 1936	% of Total, All Registered Exchanges	Value of Stocks Traded in May, 1937	% of Total, All Registered Exchanges
Total	\$1,214,893,100		\$1,223,443,900		\$1,267,543,269	
Baltimore Stock	1,165,617	.10	625,232	.05	1,014,206	.08
Boston Stock	15,322,492	1.26	15,731,844	1.29	15,787,534	1.25
Buffalo Stock	82,167	.007	0		0	
Chicago Bd. of Trade	238,201	.02	102,529	.008	173,921	.01
Chicago Curb E. Assoc.			123,999	.01	108,446	.009
Chicago Stock	14,440,521	1.19	12,679,132	1.04	9,982,688	.79
Cincinnati Stock	601,893	.05	344,637	.03	503,906	.04
Cleveland Stock	935,169	.08	928,080	.08	889,754	.07
Denver Stock	138,485	.01	0		0	
Detroit Stock	4,233,870	.35	3,123,194	.26	2,527,694	.20
Los Angeles Stock	5,832,507	.48	5,026,284	.41	4,933,878	.39
New Orleans Stock	60,327	.005	46,366	.004	255,281	.02
New York Curb	114,962,256	9.46	88,581,829	7.24	96,773,235	7.63
New York Stock	1,034,752,955	85.17	1,077,671,770	88.09	1,113,925,283	87.88
Philadelphia Stock	7,107,980	.59	7,708,054	.63	7,771,608	.61
Pittsburgh Stock	2,170,554	.18	1,883,712	.15	2,214,740	.17
St. Louis Stock	293,731	.02	544,472	.04	797,440	.06
Salt Lake Stock	416,034	.03	315,594	.03	395,411	.03
San Francisco Curb	1,748,895	.14	1,317,215	.11	1,246,597	.10
San Francisco Mining					42,384	.003
San Francisco Stock	10,307,587	.85	6,457,671	.53	7,710,228	.61
Standard S. E. of Spokane			146,825	.01	393,710	.03
Washington (D.C.) Stock	81,837	.007	85,414	.007	95,325	.008

\* Has ceased trading.

Business Week

A 0.9% INCREASE = A 16% DECREASE—That's the arithmetical tale of what is happening to the small, interior stock exchange as trading gravitates to the big New York markets, the Stock Exchange and the Curb. In two years, stock trading in New York rose from 94.63% to 95.51% of all trading on

registered stock exchanges—a very small gain as most gains go. But the volume of dealings on other exchanges dropped correspondingly from 5.37% to 4.49%, or 16%. In other words, a small gain by New York markets at the expense of other markets cuts quite deeply into the pockets of interior brokers.



Prospecting for oil-bearing deposits is a difficult job. But—when surface rocks are absent and all formations are hidden—the seismograph comes to the rescue.

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Philadelphia Exchange had just boosted dues from \$150 to \$200 a year and that more trading was necessary to its financial success. But the SEC confined its consent to odd-lot unlisted trading, saying Philadelphia was not apt to prove an independent secondary market in full lot dealings of 100 shares.

Two factors make it particularly difficult for the interior markets to get along: (1) corporations, whenever they become large and powerful, prefer a New York listing; thus Crane Co. elected New York in preference to its traditional stamping ground, Chicago, and moved (*BW*—Oct 24 '36, p30); (2) trading activity all over the country has been on the decline.

### It's Everybody's Problem

This is the situation. The two New York exchanges have increased their total percentage of all stock business in the United States at the expense of smaller markets, yet even they cannot make a go of it. So New York Stock Exchange brokers have been arguing whether to raise commissions. (*BW*—Jun 12 '37, p37; Jul 10 '37, p40). Only one interior exchange, St. Louis, has been a consistent gainer in the last two years. Its volume of transactions rose from \$293,700 in May, 1935, to \$797,400 last May, but its percentage of total transactions on all markets jumped from two-hundredths of 1% to six-hundredths—which in relation to the aggregate is rather insignificant.

Chicago has fared badly. Whereas in 1935 it was a close fourth to Boston in point of dollar volume of trading, today it is a bad fourth. Volume dropped from \$14,440,000 in May, 1935, to \$9,982,000 in May of this year; and from 1.19% of total value of all transactions on registered exchanges, its business has withered to 0.79%.

Unlike the New York Curb Exchange, but like the New York Stock Exchange, Chicago requires full registration of all securities if they are to be traded. This militates against getting new business through dealings in shares of companies which are listed on other exchanges, but not listed in Chicago. Midwestern brokers have been acutely conscious of this limitation, also of the tendency of business to shift to the New York Curb Exchange, and officials have urged members to work to induce companies with Midwestern affiliations to keep their securities traded in Chicago.

### New York Too Glamorous

No relief for the smaller markets is in sight. The trend is definitely toward the glamor of a New York listing. Moreover, the financial and banking connections which inure to companies with securities on New York exchanges is a real economic advantage; and there is always the argument that New York

markets are more active and therefore more liquid than other exchanges.

Salvation would come, of course, if securities trading pepped up all over the country, but the general tenor of stock markets has been toward smaller turnover. There are fewer in-and-out speculative deals. Higher margins have contributed to this; but also the emphasis has been toward investment buying and selling, and investors do not go in for quick turns and quick profits.

All of which means that the SEC will undoubtedly try to minister to the interior markets. No sentimentality attaches to whether a company shall register its securities in one city or another, and traders choose their markets for convenience and dispatch—not loyalty.

## Kansas' Wheat Riches

**Farmers in biggest winter wheat state pay off loans, and banks bulge with deposits.**

JUST how quickly a big cash crop translates itself into dollars and cents prosperity, not only for the farmer but for the country at large, is graphically told in reports to *Business Week* from Kansas. The biggest winter wheat state, Kansas has prosperity with a capital P.

Reports from country banks in the state indicate that short-term farm loans are being liquidated to such an extent that many banks are concerned over shortage of good paper. Corn growers normally take up this slack but a majority of eastern Kansas farmers have turned to wheat. (Where corn has been planted, the rains of the last few days practically assure a bumper yield.)

### Confidence Pays Out

The farm implement people, who sold much machinery last winter and spring on a nothing-down, pay-when-you-get-a-crop basis (even if two or three years hence), certainly guessed right. A majority of these notes are being paid in lump sums.

Grain storage centers are doing a huge loan business. Kansas City bank debits last week jumped \$23,000,000 over a year ago. One group of K. C. banks catering to the grain trade increased loans 21% and deposits 11% in the first half of July. This despite the unusually large number of producers holding wheat for higher prices, a condition which is causing much comment among commission houses.

The Federal Land Bank of Wichita, serving Kansas, Oklahoma, Colorado, and New Mexico, reports that farm loans—principal and interest—have been paid at the rate of \$100,000 a day ever since July 1. Despite three years of short crops, 80% of the land bank's farm loans are in good shape due to the present wheat crop.



## Business Abroad

**Threat of tighter foreign trade control causes rush of imports to Japan; Army's Five-Year Plan to triple industrial output will tax resources. Germany is squeezed in new Brazil-United States trade deal.**

IN spite of the unfavorable business outlook in France, and the continuing threats to world peace in China and Spain, world markets were more calm this week. German foreign trade is unfavorably affected by the United States-Brazil treaty and by the prospect that Germany's trade balance will be seriously affected by forced imports of grain to meet a crop shortage. On the other hand, there are prospects that the United States will continue to act toward the creation of what will virtually amount to a "dollar bloc" through the redistribution of its gold to nations with which it will cooperate in stabilizing exchange.

has warned that foreign exchange export permits are likely to be required for all payments abroad exceeding ¥3,000. The old minimum was ¥30,000. There are three other important factors which are causing Nipponese business to be concerned over the future:

(1) Next year's budget is expected to be boosted to another all-time high of ¥3,300,000,000, a gain of ¥430,000,000 over the last budget. Defense expenditures account for ¥1,611,000,000.

(2) The Army's Five-Year Plan to triple Nippon's industrial production is estimated to cost between ¥10,000,000,000 and ¥20,000,000,000 (the Army's own estimate is ¥13,000,000,000). The government's share is placed at ¥4,600,000,000 by Army officials. Tremendous increases in munitions is a feature.

(3) The outlook for large and profitable investment in North China is less

bright than it was a year ago (page 16). Time is playing into the hands of the Chinese. The spectacular unification of the country; the remarkable speed with which all forms of communication are being pushed; and the monetary reforms and fresh commercial credits from abroad have increased the opposition of the Chinese in North China to the economic invasion of the Japanese, and has made the threat of stiff opposition from the central government in China more formidable. It is significant that China has just issued a permit for the installation of the first large Chinese-controlled rayon producing plant. Equipment is coming from France and Italy.

Japan almost inevitably is confronted with the prospect that its foreign trade will ultimately be as completely controlled as that of Germany and Italy. This spring's rush of imports is proof that manufacturers and speculators are trying to keep ahead of this move.

### Far East

**Japan takes gold profit to meet international payments. Import rush precedes tighter foreign exchange control. Huge military expenditure strains budget.**

WHEN Japan left the gold standard, the government decided not to take its profit from devaluation of the gold holdings of the central bank because a time might come when they could help the country out of a financial pinch.

That time has evidently arrived, for the Japanese government this week asked for the power officially to devalue its gold holdings. Presumably, at least one-half of the profits will be used to meet a record unfavorable trade balance by shipments of gold to New York. Nearly \$100,000,000 of Japanese gold has already reached San Francisco in the great outflow of the last five months.

Japan, until this week, listed its gold reserve at slightly more than ¥540,000,000. By acknowledging the devaluation and taking the profit, Tokyo boosted its reserve to more than ¥1,312,000,000. It is expected that about one-half of the ¥800,000,000 will be earmarked for export.

The future of the yen remains a question. Only a few months ago the new Finance Minister, Okinori Kaya, declared that the government will continue to peg it to sterling at 1s 2d. The import balance for the first six months of this year, however, has passed ¥600,000,000, which is nearly double the amount for the same period a year ago, and the fear of more drastic import regulations is bound to keep speculative and precautionary raw materials at abnormally high levels. The government has already announced that the import control scheme inaugurated last January for six months has been extended and

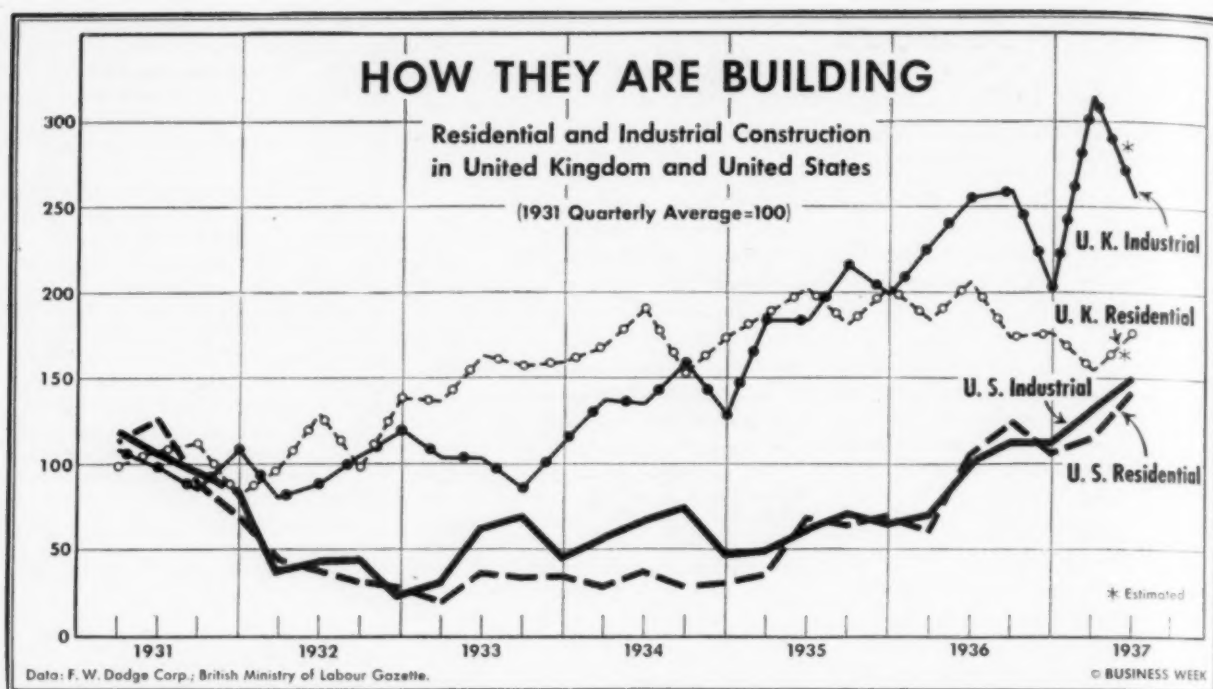
### Latin America

**Brazil can buy U. S. gold; may stabilize currency; agrees to curtail subsidized imports from Germany.**

THERE is triple significance for United States business in the special agreement drawn up with Brazil recently providing for the earmarking of \$60,000,000 of gold whenever the Brazilian government wishes to convert accumulated dollar balances into gold.



**POLITICAL CONTRAST IN TRAFALGAR SQUARE**—In the background, their arms thrust out in typical Fascist fashion, are British Fascists who gathered in London recently for an address by their leader, Sir Oswald Mosley. In the foreground are Communists, derisively giving the clenched fist salute. Occupying the traditional middle ground is a cordon of London bobbies keeping the opposing groups apart.



**THE TRENDS HAVE CHANGED**—The British building boom is letting up. It started in 1932, with residential construction taking the lead and contributing as much as any other single development to the cushioning of the slump in Britain. Re-

cently, industrial building has taken the lead, but total British construction activity was off 13% in June. In the United States, the boom is just starting, with residential building following industrial closely, and both showing steady progress in 1937.

In the first place it indicates that the United States is going ahead with the proposals made as much as a year ago to build up a dollar bloc—not unlike the sterling bloc—among its neighbors and good customers throughout the world (page 18). Ever since the silver-buying program was inaugurated, Mexico has had the privilege of converting the proceeds from its silver sales to this country into gold. Brazil is not a silver producer, but the Brazilians annually have a large trade surplus with the United States because of this country's huge purchases of coffee. By this new development the Brazilian currency will be pegged to the dollar, and another country is being helped back onto a gold standard.

#### How Germany Gained

It is a second provision in the accord which is of greatest immediate importance to business. By it, Brazil undertakes to protect American trade within the country from "outside competition directly subsidized by a government." There is no question but that the provision is aimed directly at Germany's trade with Brazil, most of which is transacted with "aski" marks and which has resulted in a tremendous gain in German imports into Brazil.

Some idea of the effect of this "subsidized" invasion of the Brazil market is evident in the following figures which show the percentage of total Brazilian imports from this country's

three main suppliers in recent years:

Imports from:	1932	1934	1936
	(% of total)		
Germany .....	8.9	14.0	22.8
United States .....	30.0	23.6	21.9
Great Britain .....	19.2	17.1	10.9

Germany has already protested the provision in the new accord. Brazil obviously is likely to lose one of the best customers for her raw cotton. And the United States not only gains a better competitive position in the Brazil market, but also a possibly enlarged market for raw cotton in Germany—once a contender for the largest share of our cotton exports.

Business in this country will benefit in a third respect from the new accord with Brazil. Trade between the two countries has benefited from the reciprocal trade agreement, among the first to be negotiated by Secretary Hull. It is understood that new efforts will be made now to expand the tariff concessions in the original pact. In the first five months of this year the United States had an unfavorable trade balance with Brazil of more than \$25,000,000. Perhaps this will be remedied. At least, Brazil has become a more promising market for United States goods.

Our business with Latin America is making tremendous gains this year, with sales running nearly 45% ahead of last year for the whole region. Outstanding gains have been made in sales to Mexico, Cuba, Venezuela, Colombia, and the Argentine. Imports show the biggest gain in the case of Argentina.

#### Soviet Union

**Inland waterways will relieve congestion on railroads. U. S. will get large airplane equipment orders.**

**Moscow (Cable)**—Wholesale amnesty has been granted to 55,000 prisoners who have been engaged for the last five years in the building of the Moscow-Volga canal, greatest construction project undertaken by the Soviets in the second Five-Year Plan. The amnesty was announced this week on the occasion of the formal opening of the great waterway to regular passenger and freight traffic.

The amnesty is in line with Soviet policy for the regeneration of criminals through hard labor on various state projects. In addition to the general amnesty, the convicts who have demonstrated exceptional zeal and good conduct will have the records of their sentences destroyed. These include a large number who have elected voluntarily to continue work upon the canal as free citizens.

In order to assist the free convicts in readapting themselves to their new life, the Kremlin has ordered Soviet trade unions immediately to provide them with employment in industry or agriculture according to their preference. Many who have acquired special technical skill while serving sentences will continue in their chosen work.

Every former convict will be given from 100 to 500 rubles in addition to free rail tickets to any part of Russia in which he may wish to settle.

It will be recalled that 12,000 convicts were amnestied by decree in 1933 upon completion of the Baltic-White Sea canal, while the sentences of 60,000 more were partly remitted. Each former convict will cast a secret ballot in the autumn elections under the new constitution.

The new Moscow-Volga canal is scheduled to carry 360,000 tons of freight and more than 1,000,000 passengers in the first six months of service. During the third Five-Year Plan, when the Volga-Don section of the vast internal waterways system will be completed making Moscow a port on five seas, annual traffic is expected to grow to 3,600,000 tons of freight and 5,000,000 passengers.

Russia looks to the development of its thousands of miles of inland waterways to help relieve the overburdened railways of millions of tons of freight and millions of passengers.

Direct radio telephone service will be established soon connecting Moscow and New York. Negotiations are reported now to be in full swing between the Commissariat of Communications and RCA.

#### Want Airplane Equipment

A Soviet aviation commission, headed by M. Kaganovitch, has just arrived in the United States and will spend two months inspecting new equipment and the air lines. Since Kaganovitch is head of the aviation division of the Commissariat of Defense Industries, it is expected that large orders will be placed for American planes and producing rights for the Soviet Union. This is in line with the policy announced recently by the Kremlin of overhauling Soviet aviation.

The Soviet-American trade agreement has not been officially extended, though it technically expired on July 14. Authorities believe that the delay is caused by the desire to revise some of the terms, probably to cover increased orders from Russia and possibly larger counterbalancing purchases by the United States. Soviet purchases in this market in the next 12 months are expected to expand considerably beyond \$35,000,000.

#### Germany

**Berlin resents the U.S.-dictated provision in Brazilian accord shutting out German business. Grain shortage causes alarm.**

**BERLIN (Cable)**—Germany is filled with resentment over the terms of the United States-Brazil agreement with its

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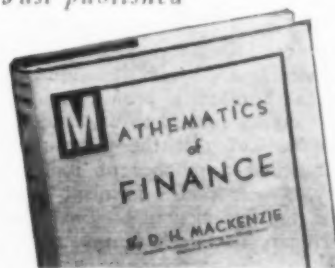
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by D. H. MACKENZIE

Assistant Professor of Accounting and Management  
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**BEDROOM SCENE**—Twenty-five thousand gymnasts from different countries will sleep (or try to sleep) here. It's the world's largest dormitory, put up at the Paris Exposition.

clause providing for Brazilian discrimination against imports from nations which provide export subsidies. Germany has been doing a profitable and rapidly expanding business with Brazil on the basis of "aski" marks. The accord under which this business is transacted was renewed recently for only three months. It seems doubtful now that it will be renewed on anywhere near the liberal basis on which it was set up.

Domestic developments also worried executives this week. Nazi party extremists are again demanding higher taxes on industrial profits, though these are already limited to 6% and in spite of the fact that the government has compelled a number of industries to invest their profits in plant expansion for the production of the new synthetic products which, under the Nazi self-sufficiency program, are expected to free Germany from her present dependence on foreign supplies of raw materials.

The *Deutscher Volkswirt*, mouthpiece of the influential Dr. Schacht, has already printed a bitter attack against the demands of these extremists, and pointed out that industry is already taxed to capacity and barely able to fulfill the heavy social obligations imposed on it by the present régime in the Reich.

### Germany Needs Wheat

German foreign trade in June for the first time in two years showed an adverse balance. Though it amounted to no more than 23,000,000 marks, and left the favorable balance for the first half of the year at 192,000,000 marks, the government is alarmed over the outlook for the rest of the year. Germany is experiencing a bad crop

year. It is likely that the country is going to be forced to import 100,000,000 bu. of wheat to meet internal demands. Large purchases of corn for fodder have already been made in Argentina.

In October, 1936, Hitler told the German farmers that if the harvest should decline by 20%, it would be a catastrophe for the German people. Reports now indicate that the wheat crop is at least 15% below normal.

## Canada

**Government focuses attention on western drought problem. Control of arms profits is planned.**

OTTAWA — Prime Minister Mackenzie King's review of the Imperial Conference, given in a country-wide broadcast this week, stressed, as anticipated, that no legislative decisions on any subject had been taken, or could have been taken, the purpose of the conference being for the examination of common Empire problems and consideration of the positions of the several Empire countries in relation to them. He made little mention of trade matters, none of the proposed British-United States treaty, but dwelt on the concurrence in opinion that the substitution of freer and friendlier commercial intercourse should be substituted for extreme nationalism.

Chief immediate problem of the Ottawa government since the return of the conference delegation is the western drought. The wheat crop is not now expected to exceed 150,000,000 bu. There is some division in ministerial quarters as between the policy of con-

tinued rehabilitation effort (for which parliament appropriated \$10,000,000 last session) or abandonment of dried out areas and removal of the population to new northern districts and also to uncultivated but fertile lands in the East. Western sentiment, even where distress is worst, appears generally against abandonment and probably will prevail. Ottawa is committed to regarding the problem as national and further provision for rehabilitation will be made.

### War Profits Studied

An effort will be made to bar profiteering and political patronage in Canada's \$35,000,000 expenditure on rearmament. The government has appointed a committee for "control of profits on armament contracts." It consists of senior government officials, who are to see that only reasonable profits are allowed, that lobbying for contracts and irregularities such as contributions to party funds by contractors or prospective contractors are kept out.

The Canadian newsprint industry is unperturbed by the demand of Pres. John H. Perry of the American Press Association for investigation of newsprint price increases and suggestion of trade conspiracy to this end. Newsprint men maintain that the decreasing margin between supply and demand (now less than in 1929) is responsible for what they claim are entirely justifiable price increases. The Newsprint Association of Canada points to the more rapid increase in consumption outside the United States than in that country as the significant feature of the situation. The United States now constitutes only 45% of the world market as against 52% in 1929. It points to prospects of increased consumption in Japan, China, India, and Latin America.

The Ontario government estimate of new capital outlay on pulp and newsprint expansion in the province between now and 1939 is \$44,000,000, principal item being \$8,500,000 on new Lake Sulphite Pulp Co.'s plant on Lake Superior which will concentrate on sulphite but develop newsprint extension later. Renewal and expansion by Abitibi Pulp and Paper accounts for another \$8,000,000. Other new mills are included.

### Power Merger

The proposed merger of Canadian Hydro-Electric Corp. and its operating subsidiary, Gatineau Power Co., is opposed by security holders represented by Senator Arthur Meighen, who claims the case must go to the courts. International Hydro-Electric System is interested as a stockholder of Canadian Hydro. Montreal reports that the Association of British Investment Trusts is intervening in Canadian reorganization schemes on behalf mainly of preferred shareholders and in several cases is successfully opposing plans submitted.

# Money and the Markets

**Stock prices whirl up, improving the general business tone. Even rails, despite discouraging news, take part in the general movement. Commodities decline, but there are signs of a prolonged rise.**

Stock market bulls got a real thrill this week when prices whirled upward to the best levels since the spring spillout. The averages have come back very nearly two-thirds of the way toward the Mar. 10 highs since bottom was touched the middle of June. Industrial shares this week pierced the highs of the movement with the greatest of ease. Rails staggered but broke through. Utilities, which until recently had done nothing this year but go down, made the best percentage gains of any of the groups. Nevertheless it wasn't all sweetness and light. Wheat prices fell out of bed on Tuesday—during the very same hours that stocks were booming along to new highs. On Wednesday July corn delivery crashed. Cotton continued jittery.

## Sentiment Improves

These commodity market troubles were enough to slow stocks down to a walk where profit-taking had failed to do much more than dent the advance. There was an unmistakable and growing optimism in trading circles. Stocks' gains of the last few weeks have banished most of the misgivings about autumn business while news of the week was preponderantly favorable.

There is, at last, the realization that 1937's summer business thus far has maintained an exceptionally active pace. There is the tendency to draw consolation (particularly in utility circles) from what has happened to the Supreme Court proposal. There is the knowledge

## Gold Gets Hot Again

On Wednesday, for the first time since July 6, it became profitable to ship gold from London to the United States. Though sterling rose above \$4.97, the London price for bullion dropped, so that the net price for an ounce of the metal was below the export level of \$34.77.

Not much gold moved, because the differential was slight. Moreover, the foreign exchange market was generally unsettled. Francs continued weak, falling below 3.75¢ to the lowest level in 11 years. Guilders continued strong, and the Scandinavian currencies, tied to sterling, rose in relation to the dollar.

Dutch monetary authorities bought dollars to check the rise of the guilder. Explanation for the comparative weakness of the dollar was that French funds were moving from New York to London and Amsterdam—but unfortunately not yet to Paris.

that crops are bringing farmers real money, the first real money many of them have seen in five years. There are hopes that labor unrest can be kept to a minimum over the rest of this year.

When stock buyers get to thinking along those lines, it's hard to keep prices down, particularly after the market has been well shaken out. The farm prospects this week were stimulating purchases in mail order and im-

plement groups. Steels were favorites on the industry's outlook and the anticipation that Big Steel will wipe out its preferred dividend arrearage at the meeting next Tuesday. Chrysler shorts took a terrific beating when rumors on second quarter earnings took on a rosier hue. Rails, it should be noted, went up in the face of spotty carloadings reports and disappointing June operating statements of such roads as Union and Southern Pacific.

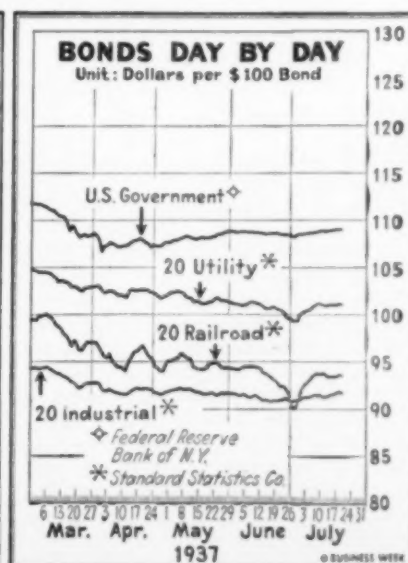
The ability of stocks to perform so encouragingly lent credence to the feeling that wheat's smash was due to an overbought speculative position. In fact, there are some indications that commodities have recovered a large degree of composure after their spring crackup, that they may be pointing for another sustained rise.

## Copper Perks Up

Particularly is this true in London, where the last commodity boom had its beginnings. Copper, for example, has been marked up almost every day and once more is selling enough above the domestic 14¢ price to invite renewal of this spring's export business. Rumors revived that the foreign cartel may resume mild production restrictions.

Cocoa is another international commodity which has been giving a good account of itself (after being the weakest sister of all in the break earlier this year). Zinc and lead markets are firm to strong. Steel scrap is continuing to rise, while gasoline has been marked up again in line with consumption.

Weakness such as that in wheat doesn't necessarily mean that commodities are stalemated. The bread grain's break of 5¢ on Tuesday isn't conspicuous in the light of the 35¢ vertical rise which preceded it. Already Europe is engaging wheat here for export, hedge sales against the bumper winter wheat





International

**BORROWING ABROAD**—Sosthenes Behn, president of International Telephone & Telegraph Co., pulled a surprise on American bankers when he announced that his company was borrowing approximately \$30,000,000 in world markets. An Argentine subsidiary, United Platte Telephone, has sold \$9,150,000 of its debentures to Swiss bankers, and plans to place the remainder with houses in Sweden and Buenos Aires. This deal may hasten realization of B. A.'s ambition to become an international banking center.

yields haven't worried the market, Canada's production most certainly will be very small (estimates now run as low as 160,000,000 bu. although most of them are nearer 190,000,000), and rust damage to our own spring wheat, though exaggerated, has been considerable. Thus the prospects still are for large United States exports.

## CEA Men Get Set

**Receive schooling on ways of applying their control over futures trading.**

FIELD men of the Commodity and Exchange Administration met in Washington this week for schooling in how to enforce CEA's new regulations which go into effect Aug. 2, governing futures trading in 13 commodities. Presumably, too, they were given a preview of the pending specific regulations to govern futures trading in cotton, butter, eggs, potatoes, and millfeeds. These commodities are also among the 13 that are subject to the general regulations.

The CEA field men are the officials

who are charged with policing the commodity markets. They have been working for a year under a set of preliminary regulations, restricted in scope, and now their duties will be largely increased by the launching of CEA's broad program. They are forewarned by the Department of Agriculture's acting secretary, Harry L. Brown, that commodity traders will consider the rules "severe" but that "they do not place an unreasonable burden on futures commission merchants and are necessary to enable CEA to enforce effectively provisions of the act."

### Grain Rules Familiar

When CEA announced its new rules, they were made applicable to futures trading in all the 13 principal commodities covered by the law. As a matter of fact, they changed very little the regulations under which trading in grains and flaxseed has been handled for many years. Moreover, they are made applicable to cotton, butter, eggs, potatoes, and millfeeds only in a general way; the specific rules for these latter commodities are to come later.

The regulations going into effect in all the major commodity markets on Aug. 2 deal mostly with reporting of transactions. They require futures commission merchants and exchange members not only to report regularly on the open interest—long and short—in the various commodities, but also to list their total transactions on both the buying and selling sides of the market. Specifically, the major rules run thus:

Commission houses and members must report total quantities of a commodity bought or sold for future delivery each month.

They must report total amount of open futures on the long side and the comparable figure for short sales, not the "net" or difference between the two.

They must report the number of their customers who are long and the number who are short.

### Customers Protected

The rules governing the handling of customers' funds also are amplified in the new regulations. Such funds cannot be commingled. That is to say, the money one customer puts up for margin can't go into the common pot and help out the customer whose margin is light. Nor can profits of one customer balance the losses of another. Nor can customers' margins and profits be deposited by the commission house to carry or partly carry its own trades.

One new wrinkle in the rules is that on cash grain merchants. Any such individual or house which holds or controls open contracts in any future delivery of any grain in excess of 200,000 bu. is required to report to the CEA each week. The net long or net short position must be set forth and

also the total of long and short open contracts must be listed.

As to heavy traders the CEA requires that any special account with an open interest of more than 200,000 bu. must be separately reported.

**Applecart Upset**—Briggs Manufacturing Co. some time ago offered two of its shares for each three of Motor Products outstanding. Directors of both concerns approved the merger plan early last month. Confidence was felt in its success, but there was minority opposition in Motor Products and this week it became known that this group had blocked the deal.

The snag was the minority's claim that Motor Products' earnings justify a better exchange with Briggs. Both managements say that past as well as present earnings must be considered. The plan has been abandoned, but observers doubt that it is dead.

**Not So Tranquil**—Any hopes that the New York, New Haven & Hartford's reorganization would be brought off peacefully vanished this week after the Interstate Commerce Commission opened hearings on the company's plan.

Just before the hearings started, a new committee was formed. It asserted that it represented the Wilmington Trust Co., International Cancer Research Foundation, Union Trust of



International

**SUGGESTION**—Former Undersecretary of the Treasury Earle Baile, partner in the banking house of J. & W. Seligman, and chairman of Tri-Continental Corp., investment trust, opposed elimination of bankers and brokers from trust managements when he testified before the SEC. He urged, instead, that transactions between investment trusts and their officers, directors, sponsors, and large shareholders be prohibited.



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Pittsburgh, Louisville Trust Co., Fidelity Union Trust of Newark, Francis I. du Pont & Co., and Amera Securities Corp. This committee at once announced it opposed the present plan.

On Tuesday, when the ICC began questioning witnesses, it discovered that two other groups were drafting reorganization plans. One represents a body of stockholders and the other is acting for several insurance companies.

The weather being what it is in Washington, the ICC apparently didn't relish a fight. Hearings were adjourned to Sept. 8.

**Clean-up**—The proposed reorganization of Utilities Power & Light Corp. (storm center in the Harley Clarke and Atlas Corp. battle) looks like a clean-up from several points of view. For one thing, it proposes to clean up the utility company's financial affairs and lift the reorganization. For another, if it goes through as now proposed, Floyd Odum's Atlas Corp. apparently will clean up a nice piece of money.

The reorganization plan contemplates payment of one-quarter of the par value of various debentures and notes in cash, plus accrued interest; one-half in new 5% debentures, and the remaining quarter in new 5% preferred stock. Atlas Corp. owned (last Jan. 30) \$2,658,045 of Utilities Power & Light 5% debentures, \$8,235,950 of the 5½% debentures, and \$2,329,000 par amount of Utilities Power & Light Securities Corp. notes. For the debentures, Atlas is believed to have paid about 30-40% of face value.

For each \$1,000 5% debenture, Atlas would get \$250 cash plus \$43.83 of accrued interest—a total of about \$770,000; for each 5½% debenture it would get \$250 cash plus \$32.08 accrued interest, or about \$2,320,000. In other words, Atlas would get in cash pretty close to 30% of the par value of its investment in both of these issues. If Wall Street gossip is correct, that would come within striking distance of repaying the original cost of the investment in the debentures.

**Control**—Just where control of Utilities Power & Light will lie on the completion of this reorganization—if it is approved—is conjectural. Atlas probably could have stepped in and taken outright control any time in the last eight or ten months. But it didn't, although it is a question if Atlas did not, as a matter of fact, exercise a controlling influence.

In addition to the cash which Atlas would get under the proposed reorganization, it would appear (on the basis of Jan. 30 figures) that it would also get more than \$6,600,000 of the \$26,000,000 issue of new 5% debentures. It would also receive about 32,900 shares of the new issue of 129,769 shares of

5% \$100 par preferred. And it would get, for its preferred and class "B" holdings, something over 10,000 of the 2,559,400 shares of new common.

Thus Atlas' interest in the revamped company would be substantial, but it would not amount to anything like a majority of any of the new security issues. In particular, it would come to only a negligible proportion of the new common stock. This tends to confirm the investment trust's persistent contention that it is not interested in getting control, that it has a "temporary" investment in the utility with an eye to the profit possibilities.

Be that as it may, Harley Clarke, deposed president of Utilities Power & Light, may be counted on to fight the reorganization every step of the way. Differences between Clarke and Odum have made headlines ever since last August.

The answer is up to the United States District Court in Chicago, where the reorganization is pending.

**Stock Commissions**—It looks as if higher brokerage fees on the New York Stock Exchange will come to pass. The wheels are greased; the stage is being set. Great care is being exercised to get the proposals in such shape that they will be acceptable to members. Several weeks ago (*BW*—Jul 10 '37, p. 40) the special committee on commissions made its report recommending vertical boosts in rates, with burdensome emphasis on odd lots (less than 100 shares). But now the special committee has filed an amended report, reducing the rates charged the small trader.

The committee did not suddenly change its viewpoint. No, indeed. What happened was that the committee found out, after conferences with members of the law committee (which must report on the report) and after formal and informal conversations with other members, that its original proposals had small chance of universal approval. Whereupon the special committee altered its attitude, saying, "It devolves upon us to give full weight to registered objections" of members.

After the law committee gets through with the report, its own report and the special committee's report go to the governing committee for action. The governing committee consists of 50 members. No prognosis of how 50 minds will work is possible. But it does seem a fair assumption that the special committee would not go through the irksome motions of trying to "please everybody," if it did not have high hopes of getting its program through.

**Small Traders Get Break**—Although the revised schedule of stock exchange commissions is considerably



Wide World

**THINKING IT OVER**—The subject of higher commissions on New York Stock Exchange transactions now is in the hands of the law committee, headed by E. H. H. Simmons (above), former president of the exchange. If the law committee approves the proposal, in its present compromise form, it goes to the governing committee to decide whether it is to be submitted to the full membership for final action.

stiffer than rates now in force, the amended proposals are a lot less burdensome on odd-lot buyers and sellers than the original. For example, on 20 shares of a \$9 stock, the minimum now in force is only \$1 (though most houses have their own rule of a \$3 to \$5 minimum). The original Pierce committee minimum on that transaction would have been \$6.80; now it's been reduced to \$6.

The committee tried to raise the commission schedule so that a definite amount of gross would be derived from a definite number of transactions. In amending its schedule, this was taken into account, and to offset the reduction in revenues from odd lots, the committee raised the rates on full lots. Thus, on a transaction comprising 100 shares of a \$60 stock, the rate in force is \$17.50 (17½¢ a share). The new proposal would come to \$22 for the transaction, or \$1 higher than the originally proposed rate.\*

The special committee reduced the differential between odd lots and full

\* The committee's revised schedule is as follows: On deals of less than \$100, 6% of value, but not less than \$1 on deals of \$100 or more, the following schedule is proposed: on stocks between \$1 and \$11, 3¢ per share, plus 1% of value of transaction; on stocks from \$11 to \$50, inclusive, 15¢ per share, plus 0.1% of value; on stocks of \$51 or more, 10¢ per share, plus 0.2% of value. In all cases, in transactions involving \$100 or more, the minimum commission is \$6.

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lots in the face of its own conviction that the odd lot trader and investor should pay a very much higher fee. This is on the theory that it costs the average brokerage firm just as much to consummate a trade in a few shares as a 100-share transaction.

The special committee also bowed to the will of others when it withdrew its proposal to authorize the governing committee of the exchange to fix commissions. The special committee's idea was that this would impart greater flexibility to rates; that the G.C. could alter tariffs up or down to meet changing conditions of markets.

Members objected strenuously, insisting the rates be made an integral part of the constitution and therefore subject to alteration only after grave deliberation and on great provocation.

**Sugar Squabble**—Most vociferous protagonist of larger quotas for domestic cane sugar producers is Clarence R. Biting, a large Florida grower. His latest suggestion is that Congress let the Jones-Costigan law (which set up the existing quota system) lapse on expiration Dec. 31. He argues that the international agreement, negotiated in London early this year, should be given a chance to iron out world conditions.

Letting the law lapse would mean that (1) the old 1½¢ tariff once more would go into full force, and (2) that foreign producers would no longer be guaranteed slices of the American market through quotas.

Presumably, the 1½¢ tariff would give more of the market to domestic and insular-possession producers of beet and cane sugars. This follows from the fact that Cuba, under Jones-Costigan and the reciprocal trade agreement, is charged a duty of only 0.9¢ a lb. But it is certain that the State Department

would immediately negotiate a new tariff with Cuba below the 1½¢ level, because sugar is the essence of that reciprocal trade pact.

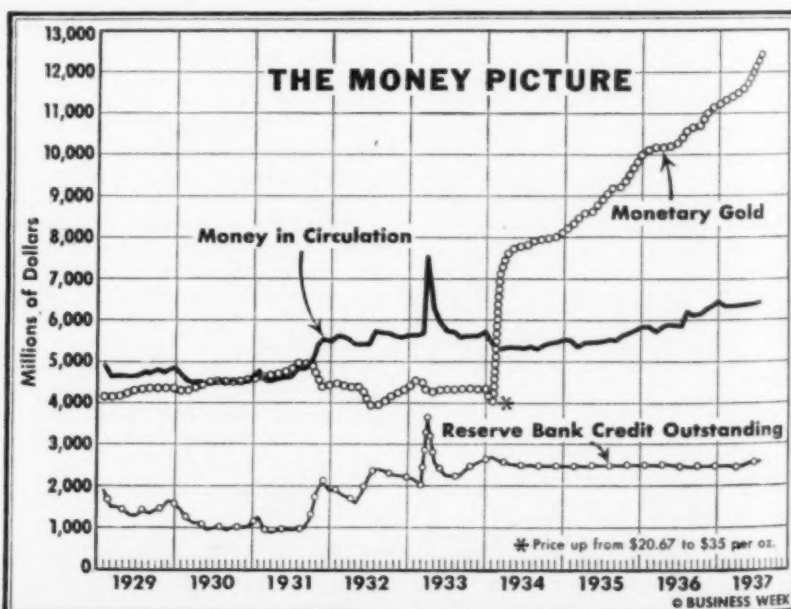
And, as Cuba's production costs are very low, the island might then secure a much larger slice of the domestic market than it now gets under the quota arrangement (even though the price Cuba would receive, after tariff payment, might then be considerably under the approximate 2½¢ net at present). Many observers are fearful lest a lapse in the sugar quota system might mean demoralizing competition among sugar producers.

Thus, unless there is an arrangement for federal subsidy—through benefit payments or otherwise—there is no certainty that the American grower of cane and beets would find the abandonment of quotas a blessing. It is possible, however, that unrestricted imports would be a boon to refiners.

Chances that the law may lapse were improved when the House rules committee refused to give sugar legislation precedence over the rest of the calendar. In a crowded and sulphurous session, Congress may dodge this highly controversial problem.

**Profitable Error**—The story is told in Chicago of the meat packer that priced itself out of the market this spring—and made money by losing sales. Shortly before Easter, this company jacked up prices. It overshot the market, and competitors took most of the sales. Excess optimism on prices left the company with accumulated inventory. And large stocks on hand have been a very fine thing in the ensuing days of rising quotations.

The company has, in other words, been moving out its inventory at better prices than those it posted before Easter.



## Editorially Speaking—

WE always thought of Oklahoma as more quadrangular than anything else, but if the chart of "The Money Triangle," on page 18, doesn't look almost exactly like the map of Oklahoma, we'll eat our statisticians. Still, it's an accurate chart.

MRS. HARUKO ICHIKAWA hasn't met our statisticians, but she has met some Cambridge University undergraduates, and her mouth watered. In her book, "Japanese Lady in Europe," she tells about it. "Among Japanese students no one can be found who might provoke the appetite of an old cannibal," she writes, "but even I might have been able to eat such young men. I believe their bodies are trained very well by exercise, but their white skin is faintly colored pink, which reminds us that they lack sunshine during the long winter months. Some of them are extremely tall, but they are rather slender, just like asparagus cultivated under glass."

Listen, little Japanese lady. You get one of these Cambridge undergraduates when he isn't an undergraduate any more but has settled down to a job in Japan, and you take him to look at some Japanese students, say at the Kobe College for Women, and see if you don't get a new slant on who wants to eat who.

FROM the July 10 issue of *Domestic Commerce*, published by the Bureau of Foreign and Domestic Commerce:

"The resolution (H. J. Res. 379) authorizing federal participation in the New York World's Fair, 1939, was padded by the House, on June 30."

It was padded even more in the previous version, which President Roosevelt vetoed.

Dr. Nikola Tesla, one of the greatest of electrical inventors, celebrated his 81st birthday a few days ago with his usual frank discourse on his favorite subject, himself. He said he had perfected a new tube that would make it possible to smash the atom and produce cheap radium. He said he was the original discoverer of the cosmic ray and was "15 years ahead of other fellows who were asleep." He said he had perfected a device for flashing energy through interstellar space. "I am expecting to put before the Institute of France an accurate description of the device with data and calculations and claim the Pierre Guzman prize of 100,000 francs for means of communication with other worlds. . . . I am just as sure that prize will be awarded to me as if I already had it in my pocket. They have got to do it. . . . This discovery of mine will be remembered when every-

thing else I have done is covered with dust."

Maybe not. Maybe Dr. Tesla is being a little unscientific in his claims. But in a world of too much pretended modesty, it's refreshing to find a man of genuinely great merit who makes no bones about thinking he's good.

IN order not "to mar the high standard and fine appearance" of Ocean Beach Park, at Long Beach, Long Island, the police forbid topless bathing suits. What about bottomless?

So Shawneetown is moving; Shawneetown (pop. 1,400), the oldest town in Illinois. The floods, endured patiently for a century or more, have got it at last, and Shawneetown is moving several miles away from the Ohio River.

There was a time when we knew nothing of Shawneetown, and if anybody had mentioned it we would merely have parodied the old "Chinatown, my Chinatown" song. But in the early twenties we had a secretary who came from Shawneetown, as capable a secretary as anybody could want. She managed to keep our desk in order, and that's a sizable accomplishment in itself. Reluctantly we fired her upstairs, to the job of dramatic critic; and in no time her own desk was the goshawfulest sight you ever laid eyes on. But she was the ablest dramatic critic in the city, and still is.

All this has nothing to do with Shawneetown, except that she came from there, and on her account we've always been disposed to think that Shawneetown is something special. Occasionally an outsider stumbles across the place and comes away with glowing reports of its charm. The only dissenting opinions we've heard are from two natives of Shawneetown we met on a hunting trip in Mexico several years ago. They asserted vehemently that Shawneetown was overrated. They said we couldn't give them the town. We didn't try very hard.

WHEN poor little Japan began timidly moving a lot of troops around China to keep from being picked on, the British ambassador rushed on a warship from Shanghai to Nanking, to use his influence for peace. The ambassador is Sir Hughe Knatchbull-Huggessen, each of whose three names is enough to lick any speller on earth. Even the big, brutal Chinese government might be intimidated by a man with such formidable nomenclature.

WE have a friend out in the grasshopper-infested country, and we weep for him. The grasshoppers have riddled his mint bed.

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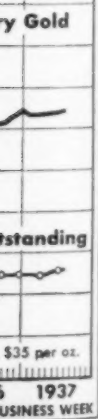
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# BUSINESS WEEK

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## Future of Instalments

Prudently used, the instalment plan is one of the soundest means of stimulating business activity, increasing employment, and putting money to work. But it must always be applied with certain fundamental safeguards in mind, and with an eye to the probable business fluctuations during the period of the instalment contract. This has not been done in all lines since recovery began. There has been too much of a tendency to take a chance, and therefore the leading finance companies and retailers' associations are now taking action to keep the instalment plan safe.

However much we may dress it up, an instalment sale is economically a chattel mortgage transaction, whether a legal mortgage is involved or not. When we give people 30 or 36 months to pay for semi-durable goods, which no sooner are put into use than they sink to a second-hand value, then we are using a credit merchandising system in order to make loans to people on their good names and good intentions. And that is more of a personal banking function than a merchandising one.

We had the instalment system on a sound basis during the early twenties. It emerged unshaken from the 1921 depression. It was of chief use, as it still is, in the automobile business. Starting out without any rules and without any experience, the automobile dealers groped towards a workable way of selling their goods to customers who could not pay in a lump sum. All sorts of terms were granted. Eventually the finance companies, and the manufacturers who were using them, got together and established a sound basis of action. They figured that if a customer paid about one-third of the price of a new car in cash, and took a year to pay the rest, most of the time during the year there would be a recoverable value equal to what the manufacturer and the finance company had invested in the car. Thus applied, the instalment plan was nearly immune to economic upheaval. In 1920 and 1921, instalment paper, as an asset in the hands of banks, proved safer than almost any other collateral.

Later in the twenties some of the necessary safeguards were ignored, and eventually business paid a price for these derelictions. In the recovery period the same tendency has de-

veloped. As recently as 1935, says a leading finance company, 75% of its used-car transactions matured in less than 12 months; today less than 50% have so short a maturity. Much the same thing is true in the sale of radios, refrigerators, washing machines, and other household items. There has also been a considerable extension of the instalment plan in the soft goods, mainly clothing.

We should get back to the basic theory that the buyer must always have paid in enough so that the recoverable value is above the balance due. Thus the buyer has an incentive to keep up his payments, and the merchant sticks to his own business instead of taking a banking risk.

When he acts as a banker he may have to get his money back by garnisheeing the debtor's wages. Wisconsin has just adopted a law under which a debtor who earns less than \$2,400 a year may take court action to obtain appointment of a trustee, who can negotiate a scaling down of the debts, or a two-year, garnishee-free period for paying them in instalments. Possibly several other states will copy this law. At any rate, Wisconsin's action is official recognition that many people of small means are tangled up in debt. Merchants, finance companies, and manufacturers cannot afford to overlook this significant fact.

## Dosing the Farmer Beyond His Needs

Admittedly the farmer does not need emergency medicine. He is feeling better than he has in a long time, and his own opinion seems to be that the need for much doctoring has passed. But the Administration has prepared an elaborate series of permanent remedies, including production control and the "ever-normal granary" prescription. Democratic leaders in

Congress are backing the Jones bill, which is pretty much the same as the Administration's voluminous prescription for the farmer.

If his condition were critical, there would be no objection to giving him whatever further help he needed. Or if he had merely recovered a little but still lagged behind his fellow citizens, there might be justification for preferential treatment. But in fact the farmer is on a par with industry, and if we are to dose him and hospitalize him at vast expense, we must consistently do the same for the people in oil and copper and textiles and every other industry. If the best course for them is individual initiative, that is best for the farmer, too.

## As We Look Ahead At Major Inventions

"The bearings of this observation lays in the application on it," said Capt. Cuttle, and the same is true of the main observations and recommendations in the 450,000-word report of a subcommittee of the National Resources Committee. The report has been disparaged by some commentators who assume that it favors an enormously complicated system of centralized economic planning for the United States. But the recommendations are really in such general terms that they can be applied either as detailed planning or as a broad survey of what's happening and what's ahead.

If applied in the latter way, the recommendations can be very useful. The subcommittee points out that many important inventions are in the works right now and that more will be coming along; that some of their results can be foreseen; and that industry and government should not be caught napping.

We can't have detailed economic planning, but we can have planning in general terms. In fact we have it right now. As the report says, there are 47 state planning boards, 400 county boards, and 1,100 city boards. There are zoning boards for cities, and regional boards for metropolitan areas. There is no reason why all these boards shouldn't get advice from a federal board that keeps an eye on technological changes.

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